

State of Washington
Department of Personnel
Office of Financial Management



Civil Service Reform/Collective Bargaining Systems Migration Feasibility Study

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DYE MANAGEMENT GROUP, INC.
in conjunction with
IBM Global Services, Inc.

**State of Washington Department of Personnel/
Office of Financial Management**

**Civil Service Reform/Collective Bargaining
Systems Migration Feasibility Study**

Table of Contents



Executive Summary.....	E-1
I. Background.....	1
A. Overview.....	1
B. Business Environment.....	1
C. Business Service Goals	3
D. Business Strategy	6
II. Needs Assessment.....	8
A. Overview.....	8
B. Executive Interviews	8
C. Business Requirements.....	12
III. Major Alternatives Considered	14
A. Overview.....	14
B. Alternative 1 – Modify Existing Systems	14
C. Alternative 2 – Package Replacement.....	14
D. Alternative 3 – Combination.....	14
E. Other Alternatives Considered.....	15
F. Alternative Comparison.....	16
IV. Proposed Solution.....	19
A. Overview.....	19
B. Rationale	19
C. EAS HRMS Package Major Features	22
D. Software Architecture.....	23
E. Technical Architecture	24
F. Implementation.....	27
G. Assumptions	30
V. Organizational Effects.....	31
A. Overview.....	31

B. Organizational Change Management Approach.....	32
C. Recommendations	36
VI. Conformity with Agency IT Portfolio	38
A. Overview.....	38
B. Conformity with Agency Mission and Goals	38
C. Conformity with IT Strategy and Technical Direction.....	39
D. Conformity with Blueprint for Statewide Financial Systems	40
VII. Project Management and Organization	41
A. Overview.....	41
B. Program Governance.....	41
C. Project Governance	42
VIII. Estimated Timeframe and Workplan	54
A. Overview.....	54
B. Estimated Timeframe	54
C. Milestones	55
D. Work Plan.....	55
E. Functionality to be Implemented.....	62
F. Estimated Resources	64
IX. Cost/Benefit Analysis	66
A. Overview.....	66
B. Benefits	66
C. Cost/Benefit Analysis Forms	78
X. Financing Strategy	115
A. Overview.....	115
B. Proposed Strategy	115
C. Other Alternatives	116
D. Recommendation	116
XI. Risk Management	117
A. Overview.....	117
B. Project Oversight.....	130

Appendix A – Project Governance Organizations

Appendix B – Civil Service Reform & Collective Bargaining Teams

Appendix C – Executive Interviews

Appendix D – Workshop and Focus Group Session Attendees

Appendix E – Business Requirements

Appendix F – Current Technical Architecture

Appendix G – Future Technical Architecture – Alternative 1

Appendix H – Future Technical Architecture – Alternative 2
Appendix I – Future Technical Architecture – Alternative 3

Executive Summary



I. Background

The Personnel System Reform Act of 2002 (SHB1268) authorizes the most sweeping changes to Washington State human resource management in 40 years. It offers a once in a generation opportunity to revamp one of the State's most cumbersome business processes, the State Civil Service System. Collective bargaining presents the possibility and the obligation for management and employees to negotiate vitally important issues. These changes, along with associated technology, will eliminate redundant systems, streamline processes, and, for the first time, provide the fundamental information to effectively manage the State workforce. The law mandates a January 1, 2005 deadline to begin implementation of a new classification system and July 1, 2005 for new collective bargaining agreements.

However, the State human resource information systems stand in the way of implementing the new law. These systems are 27 years old, inflexible, complex, and do not support the modern human resource practices required.

This feasibility study presents the plan to address these information system limitations and comply with the law. The State's Enterprise Strategies Committee, comprised of eight cabinet directors, has overseen the development of this study and, along with the Governor, strongly support its direction and recommendations.

II. Needs Assessment

A needs assessment was provided through interviewing executive and legislative officials, surveying best practices in the field, and conducting focus groups comprised of human resource professionals. Executive and legislative officials all agreed that the Civil Service Reform/Collective Bargaining (CSR/CB) implementation project and the modification of the State's human resources computer systems to support it was a very high priority. There was unanimous agreement that the current human resource management information systems do not provide the information needed by the agencies and the Legislature. They also agreed that the system should be implemented incrementally over time, and that sufficient project resources must be provided, possibly through creative funding.

State personnel identified 341 business requirements impacting the HRISD Personal, Leave and Payroll Systems, 133 of which are necessary for implementation of the new State law in the 03-05 biennium.

III. Major Alternatives Considered

The feasibility study evaluated three alternatives to meet the needs of the law: 1) modification of existing systems; 2) replacement of the existing systems with a commercial software package; and 3) a combination of modification and package replacement. In addition to these, the feasibility study considered a “Do Nothing” alternative, and an Outsourcing alternative. The “Do Nothing” alternative was dropped from further consideration when it became apparent that implementing CSR/CB without computer assistance would result in overwhelming negative impacts to State services and resources. Among other things, doing nothing presents the risk of inaccurate paychecks, labor disputes, unfair labor practices, and continued development of redundant human resource information systems. The outsourcing option would involve moving the operation, maintenance, and support of the primary services provided by the central systems to an outside vendor. Such a solution is not allowable under existing law; however, it could be considered in the future.

IV. Proposed Solution

The State has selected Alternative 2—Package Replacement to meet its CSR/CB requirements. This is an Enterprise Application System (EAS) Human Resource Management System (HRMS) based solution and represents a systematic approach to meeting the State’s new CSR/CB requirements. A Tier-One EAS HRMS package is expected to support most of the currently defined CSR/CB requirements for the 2003-05 biennium, as well as the currently defined requirements for the 2005-07 biennium. Among the alternatives evaluated, this solution has by far the greatest benefits, the best investment value, and the lowest risk. It has the shortest implementation period, provides an integrated solution sharing a single, centralized database, and promotes data integrity and efficiency through one point of entry and validation for data. Importantly, it also provides the best chance for obtaining financing among the three alternatives.

A number of recent public sector EAS HRMS initiatives have proven to be quite successful, including those of the states of New York, Michigan, Kansas, and Indiana.

V. Organizational Effects

The organizational impacts of implementing a new system of this magnitude will be significant. Recent studies have shown large projects fail due more to leadership, organizational, and people issues than technology issues. For these reasons, it is recommended that the State of Washington include a comprehensive change management approach in the EAS HRMS project. The change management approach would include a sponsorship program, organizational readiness assessment, a good communication program, a change agent program, and performance-based training.

VI. Conformity with Agency Portfolio

The proposed solution conforms with the goals, strategies, and directions presented in the Department of Personnel's (DOP) Strategic Plan and Information Technology Portfolio Management Plan, as well as the State's Blueprint for Statewide Financial Systems.

VII. Project Management and Organization

Project management consists of two key concepts: program governance and project management. Under program governance, the proposed project will be conducted within the context of the larger policy and change due to the Personnel System Reform Act of 2002. The project management approach includes:

- An Executive Sponsor to provide leadership for the project.
- A Policy Committee to provide support and resolve policy issues.
- An Operational Committee to resolve detailed process questions.
- An external Integrator Project Manager to direct the different project activities in partnership with a State Project Manager.
- Oversight provided by the Information Services Board (ISB) and the Department of Information Services (DIS), as well as by external quality assurance.

VIII. Estimated Timeframe and Work Plan

The estimated timeframe of the project to full implementation and post-implementation support is 37 months. The implementation is in three phases: 1) implementation of the base functionality of the EAS HRMS solution which will support the 133 business requirements identified by DOP for the 2003-05 biennium; 2) implementation of enhanced functionality to early adopter agencies; and 3) deployment of the enhanced functionality to the balance of the State's agencies. Implementation of project will proceed according to the following timelines:

Package Selection:	02/02/03 to 06/30/03
Implementation Phase I:	08/01/03 to 03/31/05
Implementation Phase II:	03/01/05 to 08/31/05
Implementation Phase III:	09/01/05 to 02/28/06 and beyond

The proposed work plan for the project is based on an industry-standard implementation methodology. The actual methodology employed for the project will depend on the integrator selected and the State's implementation methodology standards, but it will provide for sequential phases for package selection and implementation.

IX. Cost/Benefit Analysis

A full cost/benefit analysis was performed to compare the costs and values of project alternatives.

The cost of replacing the existing HRISD human resource systems with an EAS HRMS solution is estimated at \$40.7 million assuming all contingency is used. Finance charges would be in addition to this figure.

Tangible benefits are achieved by continuing timely, accurate paychecks, a reduction in costs for external systems, avoidance of costly disputes, and a streamlining of business processes. Additional tangible benefits create savings by improving leave accounting and by collecting more accurate information about turnover. The new system could support cost-effective outsourcing and provide savings through employee and manager self-service. In addition, the new system will produce benefits that have both tangible and intangible components, such as supporting the implementation of effective civil service reform and collective bargaining processes, improving management and policy information, improving the timeliness, accuracy, and availability of data, and providing the anticipated improvement in the morale and productivity of human resource professionals.

X. Financing Strategy

The State's challenging fiscal situation has made it necessary to identify alternative funding methods. Based upon work with the Office of Financial Management (OFM), the Office of the State Treasurer, and the DIS, a financing strategy has been developed that combines existing funds and borrowed funds.

Existing funds will come from the intergovernmental service fund that supports the DIS, OFM, and the DOP. This fund has approximately \$10 million for this purpose.

The balance of project funds will come from the State issuing a financing instrument called a Certificate of Participation (COP). Current interest rates for COPs are very attractive. The COP will be repaid through an increase in the rates charged by DOP to agencies for its systems. In this way, the cost of the system will be borne by a variety of federal and dedicated fund sources as well as the general fund.

XI. Risk Management

A strong risk management strategy has been developed for the project based upon the elements of successful projects and the lessons learned from unsuccessful projects.

Both the severity level and the risk level for this project are high. As a result, this project requires ISB Level 3 oversight, the highest level.

Risk management strategies adopted for this project include a governance structure with broad representation by affected agencies along with strong executive-level sponsorship and significant stakeholder participation. The project management structure includes a strong and experienced project manager with the systems integrator. The integrator project manager will have extensive experience in implementing EAS HRMS systems. In addition, the project has a built-in change management program, which will include careful and regular communications and strategies to identify and address resistance to change on the part of users of the new system. Finally, the plan recognizes the large scope of the project and has provided for a three-phase implementation to make it more manageable.

I. Background



A. Overview

The Personnel System Reform Act of 2002 (SHB1268) will result in the most sweeping changes to human resource management in Washington State government since the State's Civil Service System was created more than forty years ago.

The act requires substantive changes to Washington State's collective bargaining and civil service rules and processes. The Department of Personnel (DOP) and the Office of Financial Management (OFM) are jointly responsible for developing the new business rules and procedures to implement the Civil Service Reform/Collective Bargaining (CSR/CB) portion of the legislation. The DOP focus is civil service reform and the modification, enhancement, or replacement of the existing human resource information systems to support the new rules for CSR/CB. The OFM focus is collective bargaining.

The 2002 Personnel System Reform Act includes a January 1, 2005 deadline to begin implementation of a new classification system, and a July 1, 2005 deadline for implementation of the first collective bargaining agreements. The DOP human resource information systems must be able to provide associated functionality by these target dates.

The objective of this feasibility study is to provide a solution to the DOP computer system challenges arising from implementation of the legislation. The solution is to be comprehensive, leveraging this opportunity by improving business processes for the State of Washington as well as assisting its sponsoring organizations and other state entities to meet their business service goals.

B. Business Environment

The DOP human resource information systems are "mission critical" to state government. These enterprise-wide systems support over 65,000 state employees and over 2,000 authorized system users. The systems supporting the payroll function produce paychecks twice a month totaling \$220 million in gross pay. For personnel functions the systems support multiple human resource transactions; e.g., job candidate referral (hiring, promotions, separations, and other staffing actions), leave tracking, training registration and tracking, position and employee history, and others. The combined payroll and personnel systems contain data from which workforce statistical information is produced; e.g., demographics, turnover, retirement projections, salary levels, and others.

The DOP human resource information systems are over 25 years old, technically complex, costly to modify, and lack the functionality and flexibility to support modern human

resource practices and the changing needs of state government. The systems continually struggle to meet the business needs of their customers and are losing ground. Currently, there are 717 outstanding modification/enhancement requests from customers of the DOP human resource information systems. As a result, agencies have developed over 100 supplemental systems to meet their human resource needs.

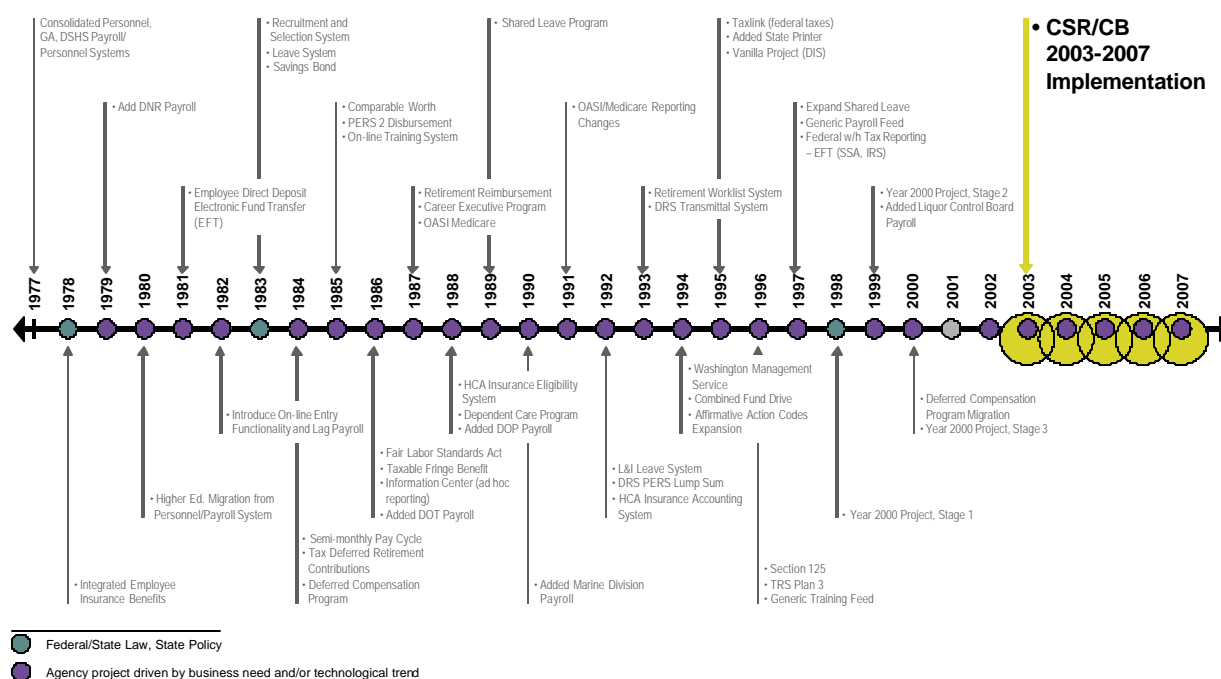
A high-level assessment of current human resource functions and the Human Resources Information Services Division (HRISD) supporting systems was completed by an outside firm last year – prior to passage of the Personnel System Reform Act of 2002. The study included the following observations:

- State civil service rules, policies, and business practices are complex, making changes to human resource information systems difficult.
- The risk of payroll problems is increasing to unacceptable levels.
- Existing human resources systems lack critical functionality.
- The payroll system does not integrate well with statewide accounting and budgeting applications.
- The human resource information systems require significant effort and time to modify. Major changes frequently cost \$1 million.
- Access to human resource information is difficult, resulting in a proliferation of agency-unique human resource information systems.
- DOP is at risk of losing key technical staff to support the human resource information systems.

As a result of the 2002 Personnel System Reform Act, current business rules, practices, and processes will change significantly. Providing DOP human resource information system support for these changes will be a substantial challenge.

Fifty-two major modifications to the human resource information systems have been implemented since 1977, resulting in increased system complexity and rigidity. Exhibit I-1 on the following page displays these modifications and illustrates that the scope of the system changes required by CSR/CB will be much larger than any of the previous modifications.

Exhibit I-1: Personnel Systems Modifications



C. Business Service Goals

The business service goals of the organizations sponsoring the CSR/CB Systems Migration Feasibility Study are captured in their mission statements and business strategy goals.

1. Department of Personnel

a. Mission

“The mission of the Department of Personnel is to support and facilitate state government’s efforts to attract, develop, and retain a productive and diverse workforce that is capable of delivering quality services to the citizens of Washington State.”

b. Goals

“Customer Focus. Provide competitive, value-adding consultation, assistance, and service that is clearly focused on customer needs and outcomes, and is flexible with regard to process and regulation.”

“Innovation. *Be leaders in HR innovation; being proactive, creative, and entrepreneurial in designing and implementing model tools and services to support effective state-of-the-art human resource management.”*

“Organizational Capacity. *Be masters of our craft; emphasizing continuous development of state-of-the-art competence in our individual and team specialties, as well as a strong understanding of the overall function and mission that we support.”*

“Employee Satisfaction. *Demonstrate mutual care and respect by recognizing excellence and initiative, fostering competence and good judgment, supporting risk-taking, and encouraging creativity and enthusiasm.”*

2. Office of Financial Management

a. Mission

“The Office of Financial Management provides vital information, fiscal services, and policy support that the Governor, the Legislature and state agencies need to serve the people of Washington State.”

b. Goals

“Assist the Governor in developing and implementing budget and policy initiatives that benefit the people of Washington State.”

“Improve our effectiveness in helping state agencies succeed in meeting their goals and fulfilling their responsibilities.”

“Promote confidence in state governments by ensuring the integrity of information provided by OFM to executive agencies, the Legislature and the general public.”

“Provide systems that will improve the performance, accountability and effectiveness of state programs.”

“Create a culture within OFM that promotes ‘customer service’ and is supportive, constructive, and safe for our own employees.”

3. Enterprise Strategies Committee

a. Mission

“The Enterprise Strategies Committee is formed to sponsor and lead the development of a comprehensive, coordinated enterprise-wide plan for financial

and administrative systems (the Enterprise Blueprint Plan). It is expected that implementation of the plan will occur through an incremental approach. The committee will also provide centralized monitoring of the Governor's other efficiency initiatives."

b. Goals

***"Stewardship.** Maximize the value of Washington State's investment in financial and administrative systems."*

***"Information.** Provide easy, timely access to valuable information to improve decision-making and operational effectiveness."*

***"Process.** Make it faster, easier, and cheaper for state employees and suppliers to perform routine business processes."*

***"Technology.** Drive an enterprise-wide framework that supports the cost effective delivery and management of a modern, secure, integrated suite of financial and administrative systems."*

***"Organization.** Implement a collaborative process that incents agencies to work together to achieve the preceding goals."*

c. Blueprint Plan Principles

"An incremental, business-driven approach will be used to upgrade the state's financial and administrative systems."

"The state will select high payoff improvement projects."

"Common financial and administrative systems and tools, centrally maintained, will be used by state agencies whenever practical."

"Systems will provide for user 'self-service'."

"Financial and administrative applications will support the shared use of a few central common data stores."

"The state will adopt common data standards to ensure cross-system and cross-agency data consistency."

D. Business Strategy

1. History

Since the early 1990's, the DOP has been submitting fiscal notes estimating the costs of a comprehensive re-engineering of the State's human resource information systems to accommodate civil service reform and collective bargaining. The passage of the Personnel System Reform Act of 2002 now mandates this re-engineering.

2. Approach

a. Overview

Considering the relatively short timeframe for achieving system compliance, and to manage costs and reduce risk, the DOP/OFM decided on an incremental approach to enhancing the capabilities of the State's human resource information systems. The focus for the 2003-05 biennium will be limited to those human resource subsystems that will be primarily impacted by CSR/CB within the HRISD Personnel, Leave and Payroll systems. Compliance of other HRISD systems and subsystems will be delayed until future biennia.

b. Feasibility Study

As an initial step in the system compliance effort, the DOP/OFM have completed a feasibility study to determine technical and financial options, and evaluate alternatives for meeting the need of the State's human resource information systems to support the business requirements of CSR/CB. The services of a management consulting team consisting of Dye Management Group, Inc. and IBM Global Services were acquired to assist the DOP/OFM in the effort to provide a short-term (2003-05 biennium) solution upon which a long-term (future biennia) strategy can be based.

c. Governance Structure

A strong governance structure was put in place to oversee the feasibility study project. The Enterprise Strategies Committee – comprised of 8 agency cabinet directors – functioned as the project's steering committee. The Director of the OFM chairs the Committee. Day-to-day direction was supplied by the project's Guidance Committee consisting of executives from the DOP and the OFM, as well as a representative from the Department of Information Services (DIS) and the DOP/OFM project manager. The governance organizations are described in Appendix A.

3. Challenge

Funding requests for the 2003-05 biennium must come before the Legislature during their January-April 2003 session. Since the recommendation of the CSR/CB System Migration Feasibility Study will require funding to move forward, the feasibility study had to be completed and approved by the Information Services Board (ISB) prior to the legislative action.

When the feasibility study began in August 2002, teams from the DOP and the OFM (See Appendix B) were engaged in defining the business requirements to support the CSR/CB implementation project. Customer surveys, focus group sessions, and information and feedback sessions, were being conducted statewide. In addition, a comprehensive review and analysis of human resource trends and best practices was underway. Information was being gathered from other government, university, and private sector organizations in Washington and other states and the federal government. Though this work has been of significant help to the consulting team, it is work-in-progress and continues today. The final business rules for the CSR/CB implementation project are not scheduled to be finalized until early 2004, over a year after the completion target for the CSR/CB Systems Migration Feasibility Study.

Business requirements are the driver of a feasibility study. Since the CSR/CB business requirements and their limited implementation for the 2003-05 biennium would not be completely known until after the feasibility study target date, the consulting team developed an extensive list of “straw man” requirements for the project. These requirements are based on best business practices drawn from the personnel, leave, and payroll portions of modern human resource information systems. This process has produced a set of requirements that are valid for feasibility study purposes. The “straw man” requirements were supplemented with the extensive business requirement definition work completed to date by the DOP and the OFM to achieve a comprehensive list of anticipated CSR/CB personnel, leave, and payroll business requirements for Washington State.

II. Needs Assessment



A. Overview

The Needs Assessment portion of the CSR/CB Systems Migration Feasibility Study consists of two components:

- Executive Interviews
- Business Requirements

B. Executive Interviews

1. Approach

Executive representatives across the agencies were identified and invited to participate in one-on-one interviews (see Appendix C). Interview questions prepared prior to the interview ensured that each interviewee had the opportunity to respond to the same questions. Upon completion of the interviews, resulting needs, issues, and business strategies were reviewed, analyzed, and summarized.

2. Executive Interview Summary

The majority of the 15 executives that participated in the 11 interview sessions are seasoned Washington State government employees. Their combined state government service exceeds 250 years. Currently, most of the interviewees occupy Director or Deputy Director level positions. They were very willing to participate in the interview process and provided important insights for the feasibility study consulting team on a variety of subjects related to the overall CSR/CB implementation project and the modification of the State's human resource information systems to support it. Significant among them are the following:

a. Highest Priority Project

All executives agreed that the priority of the CSR/CB implementation project, and the modification of the State's human resource information systems to support it, was very high, a top priority.

The executives are united in their determination to successfully implement the provisions of the Personnel System Reform Act of 2002.

Some expressed concern, however, that the State not devote all of its resources to the project to the exclusion of other system improvements.

b. Barriers to Achieving Departmental Goals and Objectives

Most of the executives viewed the primary barriers to achieving the goals and objectives of their departments to be a shortage of funding, qualified staff, and time. Implementation of CSR/CB will increase this already significant challenge. Other barriers included the following:

- Human resource functions that are under-staffed and without sufficient information technology support.
- The expectation that technology is the “silver bullet” that will save money for the State without the realization that, in most cases, the true savings come from process changes enabled by the technology.
- The struggle of agencies to think enterprise-wide and accept a cross-agency enterprise work structure.
- The challenges of building and maintaining good relationships with the unions by acknowledging varying expectations and opposing points of view.
- Issues like legislative disagreements that make it difficult to get things done in a timely manner.

c. Insufficient Human Resource Data

There was unanimous agreement that the current human resource information systems do not provide the information needed by the agencies and the Legislature. The CSR/CB implementation will likely make the need for information even greater unless resolution of this problem is included in the human resource information system modifications to support CSR/CB. The executives would like accurate and comprehensive, cross-agency human resource information. Specific examples included the following:

- The number of State employees at any given time.
- Performance measurement information and other management analytical data.
- Labor relations information such as the number of grievances filed and whether they relate to gender, race, or sexual harassment complaints.
- Standardization of data definitions over time and across all agencies; e.g., “FTE”, man-hours, turnover rate.
- Employee classification, hiring patterns, seniority, compensation, salary information by salary area, and employment ratios.
- Statewide descriptions for types of employment categories.

- Information to protect against liability of human resource-related lawsuits.
- The impacts of various schedules and rates of pay within a program and across the same or similar classifications in different bargaining units.
- Information that would support budgets by activity rather than solely by agency.
- Salary information and comparative data in a more useable format.
- Improvements in analysis capability.
- Position turnover and vacancy saving statistics tracked over a 4-5 year period of time.
- Profile of the workforce on the salary grid, number of employees, and how many at the top of range.
- History of positions that are reclassified simply to increase salaries.
- Impact of a freeze on proposed hiring and/or salary increases.
- Recruitment statistics that can analyzed to determine what problems different agencies have in attracting qualified employees.

d. Concerns for the CSR/CB Systems Migration Feasibility Study Project

The executives expressed a variety of concerns about the feasibility study project for modifying the State's human resource information systems. Central among these were the following:

- Stakeholders may have unrealistic expectations of the project. The objectives of the components of the overall CSR/CB implementation project must be clearly defined; e.g., the CSR/CB Information Systems Migration Feasibility Study project versus the HRISD human resource systems replacement project versus the CSR/CB overall implementation project.
- There may not enough time to do a thorough job.
- The Legislature and staff may not understand the resulting message which could lead to insufficient funding and lack of buy-in.
- CSR/CB business requirements were not defined before the feasibility study project began.

e. Reflections on Resources Provided to Significant State Projects in the Past

There was nearly unanimous agreement that past projects have not been sufficiently funded and concern was expressed for the CSR/CB implementation project since there has not been a statewide initiative of its magnitude since the Agency Financial Reporting System (AFRS) project.

- Recent history has shown a piecemeal, patch-work approach, with money from general funds being given in increments based on progress.
- The State often does not allocate the resources necessary for fully completing a project.
- Technology is the first thing the Legislature will cut because it will not directly affect their constituents.
- The ISB posture is resistant to large projects and spending.
- Agencies are not good at communicating with legislators about what they are doing with funding.

f. Success Factors for a Future System Modification/Replacement Project

The executives identified a number of success factors for a project. These include:

- Payroll must not be interrupted.
- Sufficient project resources must be provided, possibly through a creative funding approach.
- An up-front, strong business case must be made.
- Resulting human resource information systems must ensure data security and confidentiality, and have a high level of flexibility to quickly accommodate future business requirements.
- Reasonable expectations must be established through a comprehensive communications strategy.
- Project support must be evident at the highest levels of state government, including the Legislature and Governor's Office.
- The project needs dedicated project sponsorship, a solid governance structure, and strong, experienced project management.
- The project must meet the needs of the Legislature for consistent, policy-level human resource information.
- There must be the ability to continue to conduct business as usual while a new system is implemented. The existing human resource information systems must continue to be supported and maintained.
- Confidence is necessary in the DOP's ability to deliver.
- Confidence is necessary in the future Project Manager's ability to deliver.
- There is a need to establish project timelines and a strategy to ensure they are met.
- There should be innovation, such as manager and employee self-service.

- There must be a thorough understanding of the business requirements.
- Teaming is needed with individual agencies to fully understand their functional as well as information needs and to ensure these needs are addressed by the resulting system.
- A manageable, incremental approach should be followed to building the new human resource information systems, with benefits realized as construction progresses.

C. Business Requirements

A critical component of the CSR/CB Systems Migration Feasibility Study is the definition of system requirements essential for enabling the CSR/CB legislation.

1. Approach

The functional areas within the scope for this feasibility study were identified by DOP/OFM as those areas supported by the HRISD Personnel, Leave, and Payroll Systems. The consulting team developed “straw man” requirements that are specific to those areas and reflected best practices currently supported in modern human resource information systems. These requirements were supplemented with requirements generated by the DOP/OFM teams doing preliminary research, requirements gathering, and analysis related to the 2002 Personnel System Reform Act, resulting in approximately 275 preliminary, high-level business requirements.

These same “straw man” requirements were used during the Collective Bargaining Workshops and Civil Service Reform Focus Group Sessions. A facilitated requirements validation discussion was conducted in which the preliminary requirements were updated and prioritized. Each requirement was reviewed and assigned a rating. The priority ratings are described in Exhibit II-1.

Exhibit II-1: Priority Ratings for Requirements

Priority	Description
High	Core Requirement ¹
Medium	Desired Enhancement
Low	Nice to have

¹ A “must have” to support CSR/CB legislation and/or is available in current systems.

Civil service reform requirements and collective bargaining requirements are not necessarily distinct; i.e., requirements relating to civil service reform may well also be collective bargaining requirements. However, the requirements in section 1.7.0 of the

Requirements Matrix which were validated in the context of Workshops and Focus Group Sessions specifically addressed collective bargaining requirements.

Every attempt was made to ensure that the high-level requirements defined are as complete as possible. However, future definition/refinement of requirements by the CSR/CB implementation project teams and future legislation related to CSR/CB may result in additional, modified, and/or deleted requirements.

2. Requirements Summary

A total of 341 requirements are included in the Requirements Matrix. Of the total, 292 or 86 percent were rated *High*. Requirements rated as *Medium* and *Low* were 8 percent and 6 percent, respectively.

Exhibit II-2 displays the requirements quantified by system, by requirements met through the current capabilities of the systems, and by requirements necessary to support the 2003-05 implementation of CSR/CB. It is important to note that the resources necessary to provide computer support to a requirement varies widely from requirement to requirement.

Exhibit II-2: Quantified Requirements

Description	Total	Personnel	Leave	Payroll
All Requirements				
Total	341	191	40	110
Current Capability	55	24	7	24
Outstanding	286	167	33	86
Necessary for 2003-05 CSR/CB Implementation				
Total	133	82	15	36
Current Capability	0	0	0	0
Outstanding	133	82	15	36

3. Potential Policy and Legislation Changes

None of the business requirements identified appear to require policy or legislation changes beyond the Personnel System Reform Act of 2002.

III. Major Alternatives Considered



A. Overview

The DOP/OFM directed that the following alternatives be evaluated in the preparation of the feasibility study:

- Alternative 1 – Modify Existing Systems
- Alternative 2 – Package Replacement
- Alternative 3 – Combination

The evaluation was limited to determining the most advantageous functional, technical and financial approach for the State to migrate the HRISD Personnel, Leave, and Payroll Systems to support the implementation of CSR/CB for the 2003-05 biennium. Though it was not in scope to consider CSR/CB requirements to be implemented in future bienniums, it was expected that the 2003-05 biennium solution would serve as a foundation for the future implementations.

B. Alternative 1 – Modify Existing Systems

The Modify Existing Systems alternative leverages the existing Personnel, Leave and Payroll Systems and limits the project to the custom modification of the specific subsystems impacted by the 2003-05 CSR/CB business requirements.

Appendix G contains the technical, resource, and cost details associated with Alternative 1.

C. Alternative 2 – Package Replacement

The Package Replacement alternative assumes that the 2003-05 business requirements will be supported through the complete replacement of the HRISD Personnel, Leave, and Payroll Systems by packaged software acquired from an outside vendor.

Appendix H contains the technical, resource, and cost details associated with Alternative 2.

D. Alternative 3 – Combination

The Combination alternative supports the 2003-05 CSR/CB requirements through modification of the existing HRISD Payroll System and replacement of the existing HRISD Personnel and Leave Systems with packaged software supplied by an outside vendor.

Appendix I contains the technical, resource, and cost details associated with Alternative 3.

E. Other Alternatives Considered

In addition to directed alternatives, the following options were considered during the feasibility study:

1. Do Nothing

A “do nothing” alternative is defined as retaining the status quo. It would result in no modifications to the HRISD computer applications or technology infrastructure.

The State of Washington can not implement CSR/CB with the current HRISD payroll system. The implementation of Civil Service Reform creates opportunities for broad banding job classifications and compensation. Collective Bargaining requirements of negotiable employment terms and conditions by bargaining unit creates unknown variables in the relationships between employment agreements and compensation, employer paid benefits, and leave plans. Because the HRISD payroll system cannot handle the relationships of the potential negotiable agreements by bargaining unit there will be a significant increase in manual processes that agency personnel and payroll staff will have to complete for an employee to be paid accurately. Some of the impacts on the State if the HRISD cannot meet the new requirements will be:

- Risk of not producing accurate paychecks.
- Inability to process accurate increment increases and cost of living increases.
- Potential labor disputes.
- Potential litigation because of unfair labor practices.
- Continued development, purchase, and operation of redundant external systems.
- Lack of fundamental management information necessary to manage the State work force.
- Inability to provide the Legislature with accurate detailed information on the State’s employment profiles and statistics.

2. Outsourcing

Outsourcing is defined as utilizing the services of an outside vendor in the delivery of services to customers. Generally, the services of a human resource organization are provided to its customers through computer software, hardware, and networks; the resources that operate, maintain and support the technology; and human resource professionals. Outsourcers are able to provide all or combinations of these resources.

Outsourcing as the single technical solution for accommodating CSR/CB would likely require moving the operation, maintenance, and support of the primary services provided by the HRISD systems to an outside vendor. Advice from State sources

indicates that this may not be possible under current law that prohibits services historically and customarily provided by State employees to be transferred to an outside organization.

Outsourcing may not be a viable alternative. Based on a 2001 Options Study conducted for HRISD by an outside firm, no states had yet implemented outsourcing for major mission critical human resource systems, even though many had considered outsourcing as an alternative.

Outsourcing may very well be an attractive consideration for the State in the future. It deserves further investigation and analysis after the “contracting out” provisions of the Personal System Reform Act of 2002 become effective.

F. Alternative Comparison

Using system-based criterion commonly used in similar engagements to evaluate alternative solutions, comparisons of the three alternatives were constructed. Since many of the rating categories are specific to the State of Washington, the ratings illustrate how the alternatives compare to each other rather than industry benchmarks. Exhibit III-1 summarizes the comparison results.

Exhibit III-1: Comparison Summary

Comparison	Alternative 1	Alternative 2	Alternative 3
System-Based Benefits	2.3	4.8	3.4
System-Based Costs	2.6	3.8	2.4
System-Based Risks	2.0	4.8	3.0
Total:	6.9	13.4	8.8
Average:	2.3	4.5	2.9

Exhibit III-2 compares system-based benefit categories for the three alternatives. A rating of five indicates the alternative provides the most benefit and a rating of 1 indicates it provides the least benefit.

Exhibit III-2: Comparison of System-Based Benefits

Category	Alternative 1	Alternative 2	Alternative 3
Provides flexibility without re-programming	1	5	3
Reliably meets objectives	5	5	5
Provides scalability	1	5	3
Provides data integrity	3	5	3

Category	Alternative 1	Alternative 2	Alternative 3
Supported by relational database	1	5	3
Features ad hoc reporting capabilities	2	5	3
Will meet currently defined requirements for 2003-05	5	5	5
Will meet currently defined requirements for 2005-07	1	5	3
Likely to support requirements not yet defined	1	5	3
Built on 'best practices'	2	5	3
Enabler of common processes	2	5	3
Allows for the elimination of duplicate systems	1	5	3
Easily upgradeable	1	5	3
Supports the State of WA's long-term IT strategy	2	5	3
Minimizes impact on business processes	5	2	3
Supports improvements in business processes	2	5	4
Facilitates improved decision-making	3	5	4
Provides better management tools	3	5	4
Total:	41	86	61
Average:	2.3	4.8	3.4

Exhibit III-3 compares system-based cost categories for the three alternatives. A rating of five indicates the alternative requires the most cost and a rating of 1 indicates it requires the least cost.

Exhibit III-3: Comparison of System-Based Costs

Category	Alternative 1	Alternative 2	Alternative 3
Cost to meet 2003-05 identified requirements	5	1	1
Cost to meet 2005-07 identified requirements	1	5	3
Cost to meet unidentified requirements	1	5	3
Total Cost of Ownership through FY2013	5	3	2
Qualifies for alternative financing	1	5	3
Total:	13	19	12
Average:	2.6	3.8	2.4

Exhibit III-4 compares system-based risk categories for the three alternatives. A rating of five indicates the alternative provides the least risk and a rating of 1 indicates it provides the most risk.

Exhibit III-4: Comparison of System-Based Risks

Criteria	Alternative 1	Alternative 2	Alternative 3
Time to implement (longer is riskier)	3	5	3
Likelihood of on-time implementation	2	4	3
Proven solution	2	5	3
Custom development (custom is riskier)	1	5	3
Availability of IT staffers to support system in the future	2	5	3
Total:	10	24	15
Average:	2.0	4.8	3.0

IV. Proposed Solution



A. Overview

This study recommends Alternative 2, implementation of an Tier-One Enterprise Application System HRMS package. “Tier-One” is defined as the top five or six EAS HRMS vendors as recognized by information technology industry research organizations. This alternative has by far the greatest benefit, the best investment value, and the lowest implementation risk.

B. Rationale

Implementing an EAS HRMS system for the State of Washington will provide the foundation for an efficient, effective, and greatly improved system. This decision will provide DOP and the Legislature with accurate, timely production of payroll checks and the long sought after accurate employment information. A modern, flexible EAS HRMS will expedite and validate management decisions and legislation to improve the employment terms and conditions for State employees. The capabilities of an EAS HRMS will allow future changes to employment agreements to be implemented on time and without extensive reprogramming of the core system. The benefits far outweigh the risks and will further commitment by State agencies to a centralized system. Among the Alternative 2 benefits are the following:

1. Meets CSR/CB Requirements for 2003-05

An EAS HRMS package is expected to support most of the Personnel, Leave and Payroll System CSR/CB business requirements, defined during the feasibility study, that were identified by DOP as required by the end of the 2003-05 biennium.

2. Meets CSR/CB Requirements for 2005-07

In addition to a strong fit with the 2003-05 requirements, an EAS HRMS package is expected to support most of the remainder of the Personnel, Leave and Payroll CSR/CB business requirements to be implemented during the 2005-07 biennium.

3. Meets Unidentified Requirements

Functionality is included in EAS HRMS packages for many requirements that may yet be defined. Since the scope of the feasibility study was limited to the impact of

CSR/CB on the HRISD Personnel, Leave and Payroll Systems requirements for functional areas supported by other HRISD systems, such as recruiting and training, were not defined.

4. Permits Alternative Financing

Unlike the other alternatives, an EAS HRMS qualifies for financing possibilities other than legislative appropriation, increasing the likelihood that the solution can achieve the funding necessary for successful implementation.

5. Provides Efficiencies and Opportunities

In addition to meeting currently identified CSR/CB requirements and providing support to unidentified future requirements, an EAS HRMS will assist the State to achieve business efficiencies, such as:

- Offering the State the opportunity to attain industry best practices by adopting the processes contained in the package.
- Providing the State with the foundation for a robust, fully functional human resource information system that should meet the State's requirements for a number of years.
- Providing Human Resources and Payroll an integrated solution sharing a single, centralized database with all users.
- Promoting data integrity and efficiency through one point of entry.
- Improving relationships through networking, communication, and data sharing among employees, managers, and organizational units.
- Allowing the State to maintain technologically current applications designed and built using the latest information technology, and remain so through frequent vendor provided upgrades.

Of principal importance is meeting the CSR/CB requirements in 03-05; however, significant other benefits are possible at significantly lower project and operational risk than other alternatives. The integration of payroll personnel information can address many of the problems and inefficiencies associated with fragmented information that currently exists. This integrated data, along with built-in workflow across agencies, will improve management decisions and reduce elapsed time for many critical core processes that require multiple handoffs and approvals. These benefits permit more resources to be deployed by adding value in the core of the State's business rather than non-value added transaction processing activities. An EAS HRMS system comes packaged with a wide range of best practices and with a structure that can facilitate changes that may not be possible in other circumstances, for example, employee self-service. This will create other opportunities for increased efficiency and service delivery.

From a technology perspective, a Web-enabled EAS HRMS package employing a relational database and supporting many other industry-wide technology standards, is a valuable addition to the State's IT portfolio. It has strong vendor maintenance and support. EAS HRMS vendors provide their users with a reliable help desk, frequent enhancements to package functionality, and new releases that keep the package current with changes in technology.

The State would not be alone in investing in an EAS HRMS system. The use of EAS systems by large corporations and local/state governments has been a major information technology trend over the last 5 years. These organizations have embraced this technology as a key enabler of significant change. Implementing an EAS HRMS package is a lower risk solution than the other alternatives evaluated and will allow the State to use 21st century technology to meet legislative mandates, improve the workplace, streamline operations, and enhance decision making across the State.

A number of recent public sector EAS HRMS initiatives have proven quite successful, including:

- State of New York

With 250,000 employees and 70 union contracts to administer, the State of New York implemented HRMS statewide in the late 1990's. Previously, they had been using a legacy system developed in the 60's. After exploring a number of different options, they decided upon a package. According to the State's Assistant Deputy Controller, "The requirements curve is changing faster and getting steeper, the old system couldn't keep pace."

- State of Michigan

In a heavily unionized environment, the State of Michigan implemented HRMS across all 32 State agencies for their 64,000 employees. The Deputy Director of the Michigan Department of Civil Service commented that "During the first payroll cycle, our earlier performance objectives were exceeded and a \$135,000,000 payroll was off by only \$4,000.

- State of Kansas

The State of Kansas implemented EAS HRMS on time and under budget across the State's 106 agencies. Kansas officials estimate they have cut payroll processing time by 60 percent and improved online response time for their human resource systems by a third. In an average month they process 355 new hires, 1,100 applicants, as well as their bi-weekly payroll for 40,000 employees.

- State of Indiana

All 70 State agencies (35,000 employees) were included in their HRMS implementation. The Deputy Director of IT said HRMS "Decentralized our business processes and made them accessible to our employees. It enables real-time government."

C. EAS HRMS Package Major Features

An EAS HRMS is a suite of integrated software applications that perform a broad range of functions. Generally speaking, an EAS HRMS consists of the functions listed below:

1. Human Resources

- Organizational development
- Compensation
- Incentive management
- Information collaboration

2. Personnel

- Training and employee development
- E-recruiting
- Training and employee development
- Performance management
- Resume processing

3. Benefits

- Flexible spending accounts administration
- Employee benefits enrollment
- COBRA and retiree benefit tracking
- Maintenance of benefit plans

4. Payroll

- E-Pay
- Time and labor
- Attendance management
- Legal reporting

5. Employee and Manager Self Service

6. Workforce Analytics

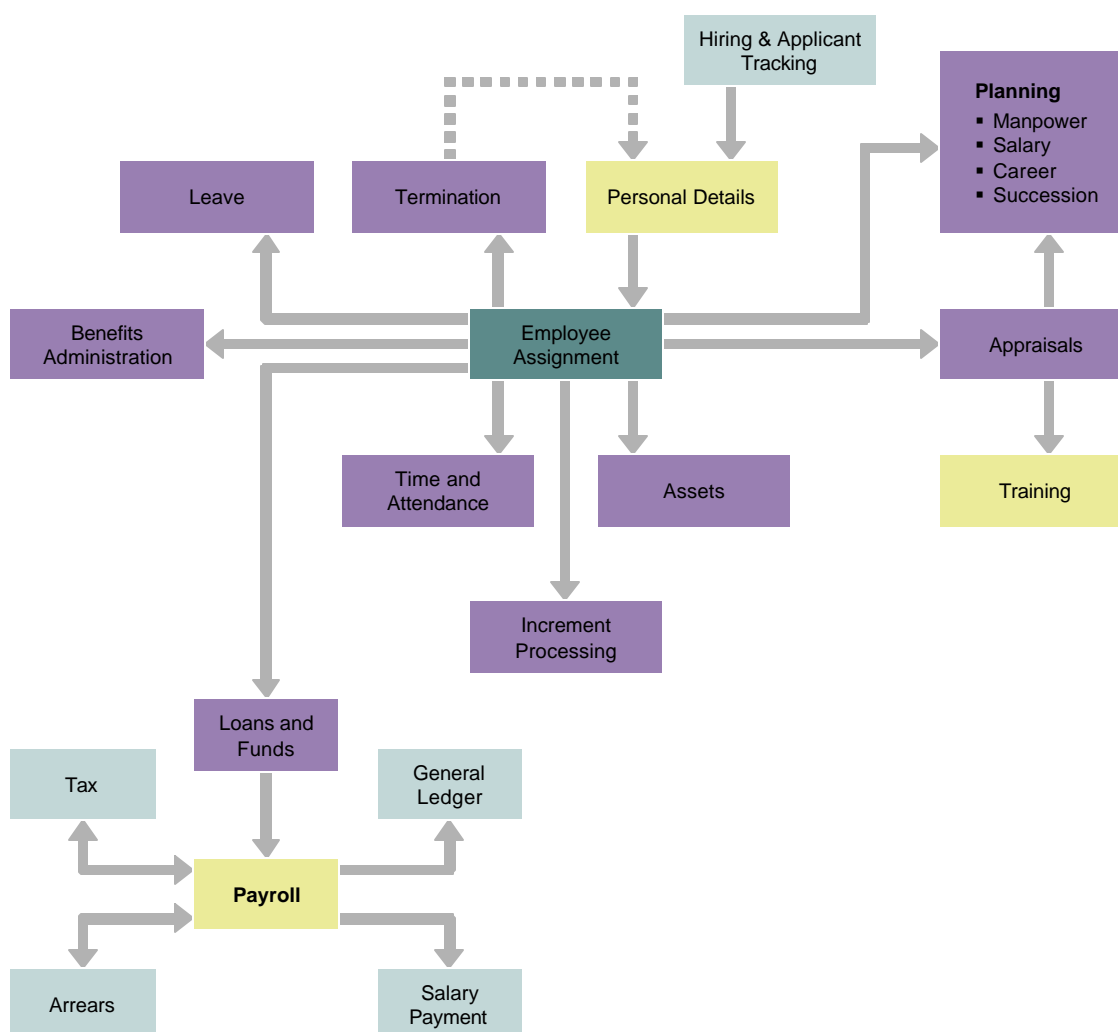
- Work-force cost planning and simulation
- Work-force management
- Balanced scorecard

During the EAS HRMS selection process, the State will determine the functionalities of the current environment they wish to replace and those they wish to retain; i.e., benefits administration and functionalities associated with retirement systems.

D. Software Architecture

Exhibit IV-1 depicts typical EAS HRMS integrated functionalities.

Exhibit IV-1: EAS HRMS Integrated Functionalities



A significant benefit of integrated EAS HRMS software is that it is designed to work together seamlessly to provide improved response times for information collection and storage into a common database. This common database is a one-source storehouse of information that is accessed by other software components and people that need the human resource information.

Data need only be entered or updated once, reducing errors and generating information for time and labor reports, analysis, planning, and program management. Ultimately, efforts and costs are shifted to innovation, problem solving and direct service to customers rather than inputting, processing, organizing, verifying, and related “busy work.”

E. Technical Architecture

1. Platforms

Two hardware options have been identified for an EAS HRMS solution for the State of Washington: Mainframe and All UNIX. The Mainframe option utilizes a mainframe as the database server, the All UNIX option utilizes UNIX as the database server.

A complete mainframe option was considered. With this option, the mainframe would function as the application servers as well as the database server. However, industry research indicates that the typical platform configuration employing a mainframe to support an EAS HRMS assigns the database server to the mainframe and the application servers to either UNIX or NT2000 servers. The primary reason appears to be an anticipated lower cost of running the application servers on a platform other than the mainframe. Installations running the application servers on the mainframe are typically those that require ultra-high availability environments in a large parallel processor complex.

The proposed options are detailed below. Platforms are based on IBM products for illustration purposes only.

a. Mainframe

- S/390 (zSeries) Database Server
- UNIX (pSeries) Application Servers
- NT (xSeries) Network Servers
- 2105-F20 Enterprise Storage Server
- 3584-L32 Tape Library

b. All UNIX

- UNIX (pSeries) Database Server
- Failover Server
- UNIX (pSeries) Application Servers
- NT (xSeries) Network Servers
- 2105-F20 Enterprise Storage Server
- 3584-L32 Tape Library

2. Platform Sizing

Exhibit IV-2 displays the results of platform sizing for each option. Sizing calculations were based on IBM products for illustration purposes only.

Exhibit IV-2: Sizing by Option

System	Server Function	Model/Nomenclature	Mem ¹	DB ¹
Mainframe Option				
Production ²	Database Server	71% of (1) z800 2066-0A2 running at 90% CPU utilization with 10% LPAR overhead. I/O Rate = 1,640 per second	3	500
Production	Application Servers	(3) P660 6h1, 750 MHz, 2-way	14	
Production	Internet Trans. Servers	(15) x360, 1.6 GHz, 2-ways	2	
Sandbox	Application Server	(1) p630 6C4, 1GHz, 2-way	2	
Development	Application Server	(1) p630 6C4, 1GHz, 2-way	3	
QA	Application Server	(1) p630 6C4, 1GHz, 2-way	3	
All UNIX Option				
Production ²	Database Server	(1) P660 6H1, 750 MHz, 4-way	12	500
Production	Application/Failover	(1) P660 6H1, 750 MHz, 4-way	14	
Production	Application Servers	(2) P660 6H1, 750 MHz, 2-way	14	
Production	Internet Trans. Servers	(15) x360, 1.6 GHz, 2-ways	2	
Sandbox	Central Server	(1) p630 6C4, 1GHz, 2-way	2	
Development	Central Server	(1) p630 6C4, 1GHz, 2-way	3	
QA	Central Server	(1) p630 6C4, 1GHz, 2-way	3	

¹ Mem – Memory in gigabytes, DB – Database in gigabytes

² Plus non-production

3. Hardware Configuration

Exhibit IV-3 and IV-4 beginning on the next page, provide graphical displays of the hardware configuration for each option. Configurations are based on IBM products for illustration purposes only.

Exhibit IV-3: Mainframe Option

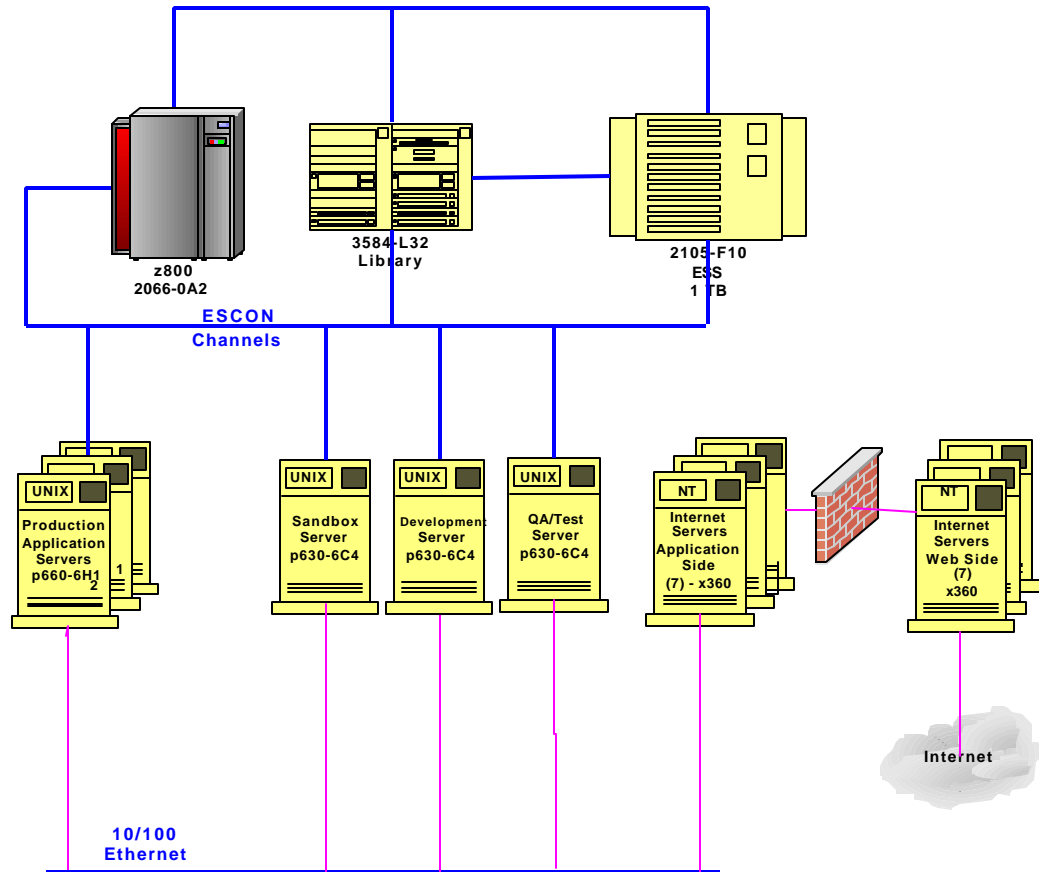
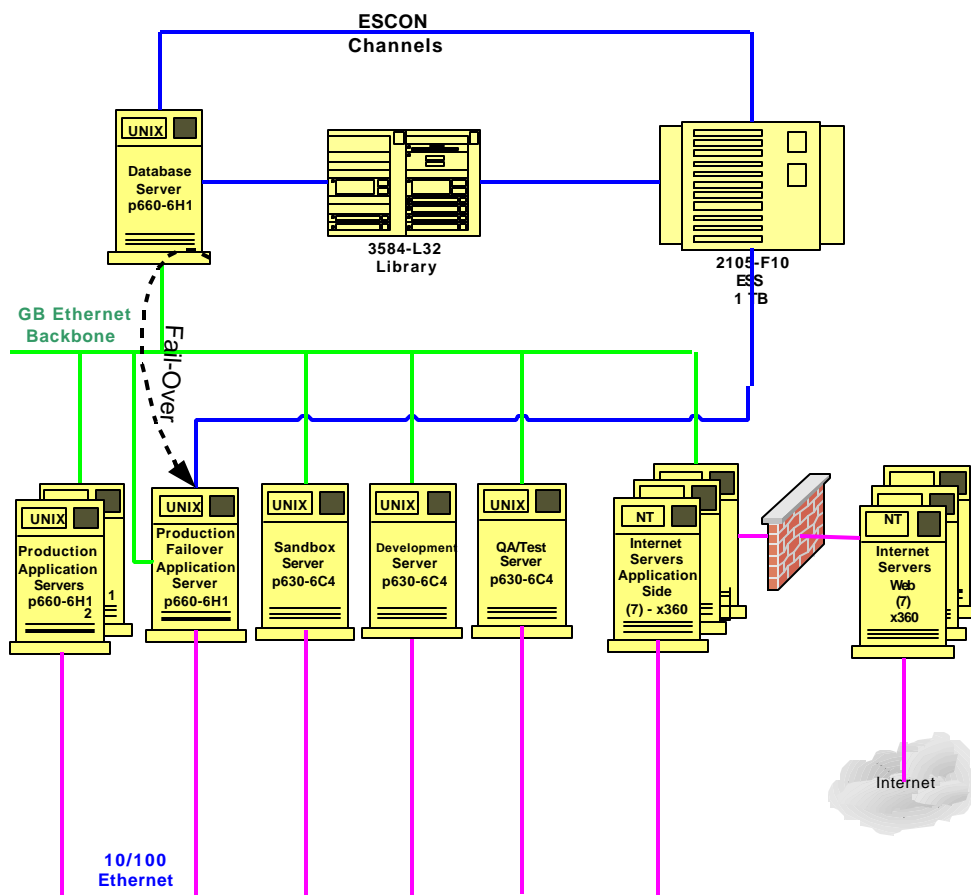


Exhibit IV-4: All UNIX Option



F. Implementation

The implementation of the proposed solution has been divided into three phases to reduce risk and the organizational impact of a single-phase implementation. Once the State has selected a specific software package, the suggested implementation phasing will need to be revisited since each software package may require slightly different phasing.

1. Phase I – 2003-05 Biennium

Although an incremental approach to EAS HRMS implementation is proposed, because of the integrated nature of an EAS HRMS, it is necessary to implement at least base functionality in each of these functional areas: Human Resources, Personnel, Benefits Administration, and Payroll. This means that the first phase of the project will introduce significantly more functionality and require more resources than the second. It is expected that at the conclusion of the first implementation phase, the State will be able to meet their CSR/CB requirements for the 2003-05 biennium as currently defined.

It is recommended that the State include the following functionality in their initial implementation effort:

- Security
- Reporting
- Organizational Structure
- Job Structure
- Employee Groups
- Position Control
- Staffing Requirements
- Employee Positions
- Performance Reviews
- Personnel Actions
- Employee History
- Wage Analysis
- EEO Reporting
- Contract Tracking
- Attendance Management
- Deductions
- Garnishments
- Workers' Compensation
- Funding Sources
- Payroll Distributions
- Deposit Distributions
- Interface for time and labor information from HRISD Payroll System or implementation of Time and Labor.
- Payment Creation
- Adjustments
- Payment Modeling
- Bank Reconciliation
- Third Party Government Payment Processing

- Interface from HRISD Benefits System for Payroll deductions or implementation of base Benefits Administration, which would include Benefit Plan setup and maintenance.
- Maintenance of Employee Records
- Employee Enrollment
- COBRA and Retiree Tracking and Enrollment

During the EAS HRMS selection process, the State will determine the functionalities of the current environment they wish to replace and those they wish to retain; i.e., benefits administration and functionalities associated with retirement systems.

It is understood that collective bargaining agreements will not become effective until six months after Phase I has been configured and “go-live” has been accomplished on 01/01/05. Consequently, the integrator will work with the State to configure the EAS HRMS application for the new collective bargaining requirements. It is not expected that this effort will be significant. The configuration and subsequent migration of employees to their new collective bargaining status will be accomplished as part of the post-implementation efforts for Phase I and the configuration portion of Phase II.

2. Phase II – 2005-07 Biennium

The following enhanced functionalities are suggested for deployment with a limited number of “early adopter” agencies in the 2005-07 biennium. These will provide further HRMS efficiencies:

- Employee and Manager Self-Service
- Workforce Analytics
- Performance Management
- e-Recruiting
- Training
- Approval and Notification Workflows

3. Phase III – 2005-07 Biennium

Deployment of the enhanced functionalities (as detailed above in Phase II) is suggested for those agencies not included in the Phase II deployment. It is also suggested that this Phase have limited support from the external integrator and that State resources trained during Phases I and II lead this phase.

G. Assumptions

The resource estimates for implementation of the proposed solution are based on the following assumptions:

- A Tier-One EAS HRMS package will be selected.
- In conjunction with the EAS HRMS package selection, an integrator experienced in successfully implementing the selected EAS HRMS package will be selected.
- The package/integrator selection will begin no later than February 1, 2003 and will be completed by June 15, 2003.
- The package selection/integrator RFP will be 'on the street' no longer than four (4) weeks.
- The State will finalize a contract with the selected software vendor and integrator in a timely manner to effect an August 1, 2003 implementation start date for Phase I.
- The State will secure adequate funding and/or obtain adequate financing prior to the anticipated August 1, 2003 implementation start date.
- Implementation Phase I (base functionality) will be August 1, 2003 through March 31, 2005.
- Implementation Phase II (enhanced functionality for a limited number of early adopter agencies) will be March 1, 2005 through August 31, 2005.
- Implementation Phase III (enhanced functionality for the balance of the State's agencies) will be September 1, 2005 through February 28, 2006.
- The external integrator will provide limited support during Phase III as the State will be expected to lead this phase.
- Design/redesign work for all three implementation phases will be accomplished in one Design/Redesign phase occurring during Phase I.
- Timelines, phasing, and staffing estimates will need to be revisited once a software package is selected.
- The State will supply an adequate, full-time implementation team.
- The State's implementation team will have the subject matter expertise and the authority to make business decisions as required in the project plan on behalf of the State of Washington entity that they represent.
- The State's implementation team will have completed appropriate application-specific training prior to the initiation of the Phase I implementation.
- The objective of the implementation is to use standard, out-of-the-box functionality of the selected application, with little or no customization of the package software.
- The training approach utilized will be "train the trainer".
- The State will deploy the change management plan developed early in Phase I for all implementation phases.

V. Organizational Effects



A. Overview

While the implementation of an EAS HRMS package can have a profound impact on the technology of an organization, the package does not address the other significant components associated with a change of this magnitude—people and process. In fact, studies have shown that large IT projects more frequently fail due to leadership, organizational, and people issues than technology issues.

Affected individuals in all parts of the organization must understand what is changing and be ready, willing, and able to adapt to new ways of working. This requires careful planning and execution of activities to manage and deploy change well in advance of system “go-live.”

EAS HRMS systems operate by codifying business processes through the use of state-of-the-art technology. To successfully take advantage of the rich functions and features EAS HRMS systems provide, the organizational change driven by the new system must be appropriately planned for and managed. In general, the types of changes that EAS HRMS systems drive are:

- Reduced data entry resulting from:
 - Full integration (i.e., data entered only once)
 - Data defaulting
- Improved ease of use resulting from:
 - Fewer transactions and reports
 - Menu drop down boxes
 - Integrated on-line help
- Improved access to information resulting from:
 - Real time updates
 - Drill around and drill down for greater data detail
 - Online reports
 - Direct access by managers and employees

A key organizational effect is the impact on staff from the elimination of many manual forms and redundant data entry activities due to the streamlining of data entry, transaction processing, and reporting. Reduced data entry and improved ease of use means that staff can be more productive and efficient by focusing time on delivering State services rather than reentering redundant data, processing paper forms, and performing rework on administrative systems. Another key effect is the dissemination of online data entry through tools such as manager and employee self-service. This eliminates much of the need for staff to enter, process, and report on HR, Benefit, and Payroll information for managers and employees. Due to the tight integration between the HR and the Payroll functions supported by an HRMS, some organizations choose to operate HR and Payroll functions under the auspices of a merged HRMS unit both centrally and on an Agency or department basis.

To be successful and realize identified benefits, organization change management must be addressed at every phase of the implementation and must encompass the technical changes, process changes, and organization changes as well as the accompanying impacts to the business and the organization. A structured organization change management approach helps the organization to:

- Embrace the need for change.
- Mitigate risks associated with large, complex implementations.
- Promote buy-in and sponsorship from key individuals.
- Provide an environment that institutionalizes change.
- Manage the transition throughout the entire implementation.

B. Organizational Change Management Approach

Organizations that have tried to achieve major business or technology transformations have found that the process of implementing change will most likely lead to a temporary drop in productivity. Change management helps to minimize the depth and length of disruption brought on as result of major change. People are rarely comfortable with change—even change that appears positive. Much, if not most, of this discomfort is due to the uncertainty of change. Employees and managers should assume equal responsibility for helping to minimize discomfort through knowledge and skill development, clarity of leadership, and open communications. Key principles of change management include the following:

- Change management does not begin at the end of a project (implementation phase); it should be considered from the beginning.
- Change in an organization is not simply putting in new machinery, systems, practices, or processes. People must exhibit behaviors aligned with the change or else it fails.
- Change is a *process* rather than an *event* and therefore it can be significantly influenced or managed during its “lifecycle”.

- Transformation encompasses the design and execution of a single change management focus. This is accomplished by simultaneously addressing strategic performance goals, drivers, and barriers and enablers of change.

It is recommended that the State of Washington include comprehensive change management activities in the EAS HRMS selection and implementation portions of the EAS HRMS solution. Representative change management activities may address:

1. Alignment of Project Vision and Goals

The first step is to align the project vision and goals with the State's vision and goals. This activity includes:

- Reviewing the organization's vision statement and strategic plan.
- Assessing how well the vision is communicated and internalized throughout the organization.
- Analyzing the project's business case to determine if the drivers for the project align with the vision proposition.
- Creating a project vision.
- Developing project goals and critical success factors.
- Incorporating project vision and goals into the Communications Program.

2. Sponsorship Program

Establish a Sponsorship Program to enable and measure leadership commitment, readiness and willingness to lead change. The activities of this program are:

- Selecting and interviewing key leaders.
- Documenting issues, concerns, and attitudes.
- Determining the sponsor roles and responsibilities.
- Educating leaders on the critical elements of effective sponsors.
- Assisting leaders in assessing their sponsorship capabilities.
- Recommending activities to close capability gaps.
- Assisting in developing transition activities for sponsors.
- Providing support necessary to enable sponsors to transition their employees.

3. Organization Readiness Assessment

Conduct an Organization Readiness Assessment to assess the State's commitment, readiness, and ability to accept and sustain the changes required by this initiative, including cultural elements. The activities of the Organization Readiness Assessment are:

- Identifying issues that impede change.
- Identifying resistance points within the organization.
- Providing a picture of the organization's readiness to change.
- Developing interventions and activities to address change issues.
- Providing recommendations for transition management.

4. Communication Program

Develop and execute a Communication Program to manage project-related communications. The objectives of this program are:

- Creating guiding principles and strategy for delivering targeted communication to multiple audiences.
- Identifying messages that provide a clear and timely exchange of information (verbal, written, visual, etc.).
- Determining audiences, message sequences, media types, and timing to address audience needs.
- Organizing communication campaigns that progressively build from awareness to acceptance and commitment.
- Planning, building, and maintaining the level of active participation needed to transition the organization through sponsors, change agents, and campaigns.
- Gathering feedback, adjusting communications, and sustaining enthusiasm

5. Risk Mitigation Strategy

Identify, evaluate, and qualify the business impacts and risk factors associated with the changes to minimize risk. Create action plans to implement changes and mitigate risks. The activities of a risk mitigation strategy are:

- Identifying major business impacts based on information gathered during process design.
- Defining additional business impacts and obstacles during workshop sessions.
- Categorizing and prioritizing business impacts and risks.

- Assigning ownership to impacts and determining initial actions required for high priority changes/risks.
- Creating action plans to address process changes/risks.
- Tracking and monitoring the process change and risk mitigation action plans.

6. Change Agent Program

Establish a Change Agent Program to prepare and involve change agents to address stakeholder issues and concerns. This team implements the process changes and supports identified stakeholders. The activities of this program are:

- Determining the level of commitment/resistance of the key stakeholder groups.
- Defining an approach to address stakeholder issues and concerns.
- Defining transition activities to support and enable stakeholder groups.
- Identifying and organizing change agents to execute transition activities.
- Monitoring change agent activities and stakeholder responses to maintain active participation.
- Sustaining enthusiasm and momentum to enable change to become institutionalized.

7. Organization Transition Program

Perform an Organization Transition Program to identify, communicate, and implement the new/changed roles and responsibilities that result from redesigned business processes. The activities of this program are:

- Defining new/changed roles resulting from process design activities.
- Identifying gaps and redundancies in current and new/changed roles based on new/changed processes.
- Determining new skills needed to support the new/changed processes.
- Communicating findings to the project and management teams at multiple levels.
- Involving management in determining changes needed to align the target organization and create new jobs.
- Creating organization transition plans to prepare the employees to accept their new jobs.

8. Performance Based Training

Develop and deliver performance based training to enable employees to develop the business, application, and technical skills needed to execute the solution. The objectives of this training are:

- Assessing user and application requirements to define a learning strategy that meets the needs of the users.
- Defining and developing the curriculum and system infrastructure needed to deliver effective training.
- Creating training materials and e-learning, including possible web-based and virtual classroom to meet requirements.
- Conducting training delivery, just enough, just in time.
- Creating Performance Support, On-line Help, and Ongoing Training Programs.

9. Transition Management Plan

Support the actual deployment of the process changes, change strategies, and transition activities developed as part of the Organization Change Management Program through a Transition Management Plan. The activities of this plan are:

- Coordinating and performing transition management that supports the following organizational change management components:
 - Project and Organization Vision Alignment.
 - Organization Readiness Assessment.
 - Sponsorship Program.
 - Change Agent Deployment Program.
 - Communications Program.
 - Process Change Implementation and Risk Mitigation Program.
 - Organization Transition.
- Monitoring and coordinating dependencies, feedback results, and transition activities, and making adjustments as necessary.

C. Recommendations

Until an Organizational Readiness Assessment is completed during the package/integrator selection phase of the solution implementation, it is recommended that the State of

Washington focus on these key issues in order to prepare for the upcoming change that a statewide EAS HRMS implementation will bring:

- Immediately recruit a new HRISD Assistant Director to work alongside the current Assistant Director who will be retiring in September 2003. This will allow time for the new Assistant Director to assume the responsibilities of the position, as well as provide continuity to the project during the transition.
- Drive towards finalizing the CSR/CB requirements as quickly as possible.
- Secure on-going, committed, and involved executive level support. This support should be from the very highest level possible.
- Explain the capabilities of the EAS HRMS to the agencies and work with them to obtain their buy-in for the new system —and ultimately their concurrence to eliminate duplicate agency systems.
- Communicate the benefits of the new system to the decision-makers in terms of what the new system will bring to them.
- Plan and prepare for the appropriate level of resources, with the appropriate authority, that will be required to successfully implement an EAS HRMS.

VI. Conformity with Agency IT Portfolio



A. Overview

The proposed solution conforms with the goals, strategies, and directions presented in the DOP's Strategic Plan and Information Technology Portfolio Management Plan, as well as the State's Blueprint for Statewide Financial Systems.

B. Conformity with Agency Mission and Goals

The proposed solution is clearly aligned with the DOP's Strategic Plan. Within that plan, DOP identifies its mission as follows:

"The mission of the Department of Personnel is to support and facilitate state government's efforts to attract, develop, and retain a productive and diverse workforce that is capable of delivering quality services to Washington State citizens."

The DOP's strategic plan identifies three goals:

1. A New and Modern Human Resource Information System

Replacement of the existing human resource information systems with a Tier-One EAS HRMS as proposed will provide the State with a new and modern human resource information system.

2. Fast, Flexible, Easy-To-Use, and Fair Human Resource Processes

Among the primary attributes of an EAS HRMS are its speed and flexibility. In addition, the applications must accommodate a wide variety of situations, users, and organizations. Consequently, the user interfaces have been designed to be intuitive and easy-to-use.

3. Technological and Knowledge Infrastructure to Support Reform

An EAS HRMS package offers flexibility through the ability to configure the software rather than to modify it. This feature will be of significant benefit to the State as it defines computer support requirements for reform of the Civil Service System. Furthermore, an EAS HRMS incorporates best business practices which promote process development that may advance the reform effort.

C. Conformity with IT Strategy and Technical Direction

In September 2002, the DOP completed and submitted its Information Technology Portfolio Management Plan to the ISB. The mission for HRISD is stated as follows in the Plan:

“...to provide quality services in payroll, human resource information, and computer technology to enable state government agencies and the Department of Personnel to achieve and maintain leadership in human resource management and planning.”

The Plan contains several challenges that are met by the proposed solution. Significant among them are the following:

1. Appropriate, Modern Computing Platforms

Modern computing platforms can be achieved through implementation of a packaged EAS HRMS. The proposed solution is server based, utilizes relational database management, and employs Web-based technology.

2. Currency of Technology Infrastructure

Technology infrastructure currency will be achieved through migration to an EAS HRMS package. Package functionality requires that appropriate currency in the underlying technical architecture be provided and maintained.

3. Centralized Provider of Human Resource Information.

An EAS HRMS offers significantly expanded functionality over the State's existing human resource information systems. Because of this, the need for agency-unique human resource information systems may diminish, resulting in the statewide system becoming the single, central provider of human resource information for the State.

4. Payroll System Risk Management

Replacing the current Payroll System with an EAS HRMS package will eliminate the risk associated with the current system's high degree of complexity and lack of integration with other systems. The EAS HRMS package is modular in design, fully integrated, reliable, and provides significant flexibility through configuration without modification.

D. Conformity with Blueprint for Statewide Financial Systems

In 2000, the OFM commissioned a study of statewide financial and administrative systems. The purpose of that study was stated as follows:

“...to provide an architecture for financial systems that will help improve government services, enhance employee productivity, and protect our citizens’ investments.”

The resulting Blueprint for Statewide Financial Systems specifically addresses human resource information systems as a key component of the recommended statewide architecture. The “Blueprint” contains a Human Resources Blueprint model based on several architectural principles that are met by the proposed solutions. These principles are:

1. Provide for a Single Employee Data Store

An EAS HRMS solution shares a centralized database with all users and provides for data integrity and efficiency through one point of entry.

2. New Time/Leave Management System

The package solution includes robust time and leave management capabilities.

3. More Data for Human Resource Decision Support

EAS HRMS packages provide rich data capture, data mining, and data analysis capabilities and tools.

4. Systems Will Provide for User “Self-Service”

The EAS HRMS solution proposed includes employee and manager “self-service” functionalities.

5. Separate Systems for Payroll and Personnel

A package solution will provide distinct functionality for payroll, personnel, and other human resource information system components, while at the same time providing seamless component integration.

VII. Project Management and Organization



A. Overview

Project management and organization addresses the governance and management processes for successful project completion.

Governance includes the authority for making decisions about the project and the means by which those decisions are effected. Project management is the process of planning, directing, and evaluating the development and implementation of a project.

Because of the proposed project's technical complexity, high political visibility, impact on critical state functions, and accountability to customers throughout state government, governance and management of the project must receive the highest Executive Branch attention.

B. Program Governance

The proposed solution will be implemented within the context of the larger policy and business process change program carrying out the provisions of the Personnel System Reform Act of 2002. The policy and business changes will be in three areas: Collective Bargaining, Civil Service Reform, and Contracting Out. These changes are the responsibilities of the Office of Financial Management, the Department of Personnel and the Department of General Administration, respectively. In addition, line agencies will be implementing the detailed provisions of the law and business and system changes must be coordinated with other human resource-oriented agencies, the Health Care Authority and the Department of Retirement Systems. The EAS HRMS implementation depends on the results of the work being conducted by these different organizations. In particular, information requirements for the new system for the new business processes must be defined expeditiously so that the project can be completed on schedule. To accomplish this, a sound governance structure for the overall CSR/CB program is required.

The program governance structure should include:

- An executive sponsor or sponsor(s) for the program who will be accountable for the program's success.
- A program management office consisting of a program manager and additional resources to identify, coordinate, and resolve issues between the different business initiatives and the project. Program management also should monitor progress against

a consolidated program work plan for the different business initiatives. This program work plan should focus on the dependencies among the various efforts.

- External quality assurance for the program as a whole to provide an independent view of program status, accomplishment and issues to be resolved.

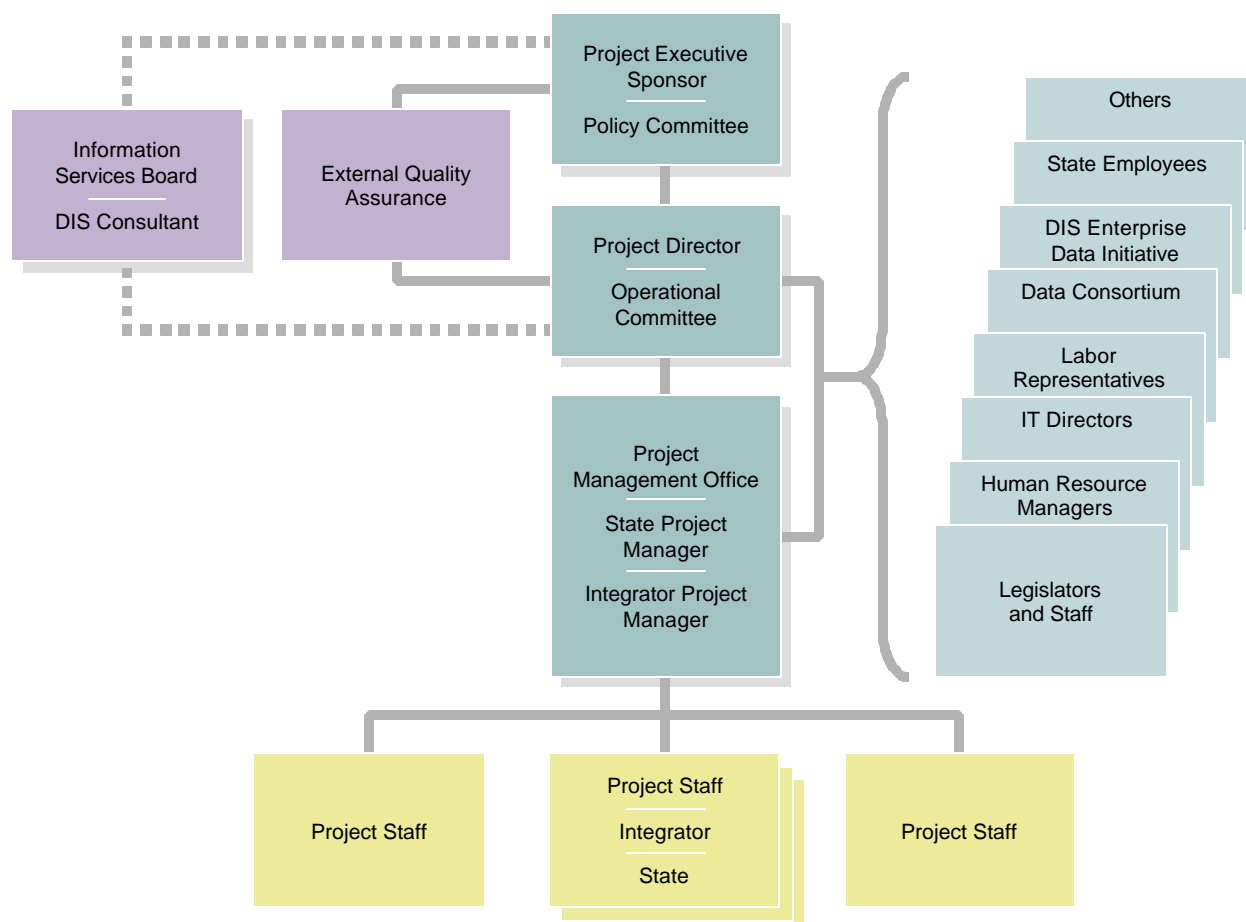
C. Project Governance

The project will be highly visible and will introduce new automated functionality to replace one of the most mission-critical systems in state government: HRMS. Its customer base includes all of the payroll and personnel offices for 120 State agencies. The relationships among these groups, and between them and the DOP, are complex and will require careful coordination to ensure a successful project.

1. Project Governance Structure

Exhibit VII-1 that follows displays the proposed governance structure for the project.

Exhibit VII-1: Project Governance Structure



2. Project Governance Roles and Responsibilities

Roles and responsibilities for the project-level governance positions illustrated in Exhibit VII-1 are detailed below.

a. Project Executive Sponsor

A description of the Project Executive Sponsor's role and responsibilities, as well as recommended qualifications for the position, are included below.

(1) Description

The Project Executive Sponsor represents the State and is ultimately accountable for the project's success. The Project Executive Sponsor must be committed to change and must be willing to mandate business process alignment within the DOP to ensure the new DOP internal business processes and its information technology services, support the new policies, processes, and practices being developed for the new human resource system.

Responsibilities include:

- The Project Executive Sponsor chairs the project's Policy Committee and works closely with the overall CSR/CB initiative.
- The position serves as spokesperson and single point of contact for policy-level concerns of the project's customer community.
- Acts as the EAS HRMS project's advocate with State departments and political organizations.
- Creates and communicates the project vision.
- Develops the overall strategic project targets.
- Ensures funding and other resources are available for the technical project's duration.
- Ensures that political and organizational obstacles to project success are addressed in a timely manner.

(2) Qualifications

The Project Executive Sponsor should have the following qualifications.

- Knowledgeable about State personnel and payroll policies and procedures.
- Have a broad vision for the implementation of the EAS HRMS and how it will support the personnel and payroll functions in the future.

- Leadership ability to spearhead this challenging state-wide initiative.
- Wherewithal to empower staff and facilitate the rapid policy decision-making that is the hallmark of successful EAS HRMS projects.

The Project Executive Sponsor must have the authority to make policy and resource decisions which affect multiple agencies. In addition, this position must have access to all agency directors and must ensure that the interests of key constituencies are addressed. Constituencies that will require special attention for this project include the legislature and unions.

b. Policy Committee

The Policy Committee is responsible for owning the EAS HRMS project and for identifying and resolving all policy issues that affect the project. The Committee should be composed of senior agency management, legislative members, and other elected officials who can address issues that span multiple agencies and functional areas. It is especially important for key line agencies to be represented on the Policy Committee, e.g., the Department of Social and Health Services, the Department of Corrections, and at least one mid-sized and one small agency. All members of the Policy Committee should be provided executive-level project management training. A clear and thorough Policy Committee Charter should be developed. The Policy Committee is chaired by the EAS HRMS project's Executive Sponsor.

The Committee's responsibilities include:

- Constructing charters for itself and the Operational Committee. The charters will outline Committee objectives, how reviews and reporting will occur, project resources, a decision-making structure, and a conflict resolution structure.
- Expediting resolution of all policy issues affecting the project.
- Authorizing project resources, project plans, and any revisions to project plans.
- Authorizing independent risk analyses and verifying costs/benefit assessments.
- Authorizing human resources and project contracts.
- Authorizing an independent quality assurance provider for the project.
- Providing direction to the Operational Committee.

c. Project Director

(1) Description

The Project Director represents the State in the EAS HRMS project's overall operations and activities. This position facilitates organizational and

business changes that will be required for successful implementation of system changes. The position chairs the Operational Committee. The Project Director also ensures that major issues affecting project scope, schedule, budget, or operations are resolved as quickly as possible.

The Project Director's responsibilities include:

- Establishing and sustaining a successful partnership reinforced by appropriate contract vehicles for the key EAS HRMS project providers and monitoring all contracts for the technical project, including for the system integrator and software vendor.
- Building commitment among State agencies regarding the business and technology changes required for project success.
- Working closely with the project managers (State and integrator) to establish the project schedule, budget, and other project planning documents, and to adjust project plans as needed.
- Monitoring project operations and coordinating resolution of key issues regarding schedule, scope, or budget.
- Reviewing reports by the EAS HRMS project's External Quality Assurance consultant, and coordinating appropriate adjustments to project operations based on those reports and the Operational Committee's direction.
- Providing regular reports to the Project Executive Sponsor on project operations and progress, in conjunction with Project Managers.
- Recommending end-of-phase "go forward" decisions to the Operational Committee.

(2) Qualifications

The Project Director should have significant experience within state government in managing technology projects and coordinating schedules and resource availability. This person should also have the ability to exert influence and promote positive change across state government organizations at all levels, and be familiar with the organizational and political environment within Washington State government that affects information technology projects.

The Project Director has the following qualifications:

- In depth understanding of State personnel and payroll policies and procedures, and understanding of the implications of the EAS HRMS implementation on them.

- Successful track record implementing large IT agency or State-wide implementation projects, preferably in the personnel and/or payroll domain.
- Experience managing technology projects for state government, preferably in the HRMS domain.
- Experience directing large technology and business change initiatives, preferably in the HRMS domain.
- Ability to motivate and build consensus among agency directors and managers regarding significant technology and business process changes.

d. Operational Committee

The Operational Committee deals with the detailed business aspects of the project. The Committee should consist of department deputy directors or human resources directors from agencies similar to those on the Policy Committee, plus selected other key stakeholders from line agencies that are significantly affected by the project. The Operational Committee must meet regularly, and every Committee member must be able and willing to make decisions on technology and policy. Committee members should have experience with, or receive training in, business process change management and executive-level project management. The Project Director chairs the Operational Committee.

The Committee's responsibilities include:

- Monitoring project scope, risk, schedule, and budget.
- Reviewing and approving project resources, project plans, and any revisions to project plans recommended by the Project Director.
- Recommending independent risk analyses and verifying cost/benefit assessments.
- Identifying issues faced by member agencies, helping to resolve those issues, and communicating results.
- Recommending an independent External Quality Assurance provider for the EAS HRMS project.
- Providing policy recommendations and decision-making support to the Policy Committee to help expedite that committee's work.
- Identifying and resolving key project issues, and escalating issues that cannot be resolved to the Policy Committee.

e. Information Services Board/DIS

The ISB and the DIS will provide oversight to the project and provide a statewide enterprise approach. There will be periodic reporting on project status and issues to the ISB by the DIS Consultant, the Executive Sponsor, and the External Quality Assurance Consultant.

The ISB/DIS responsibilities include:

- Developing a strong understanding of the business problems to be addressed under the new law.
- Developing a strong understanding of the technology solution.
- Evaluating the Feasibility Study, advising on ways to enhance the project approach, and approving the Feasibility Study.
- Monitoring project status and advising on ways to address project issues and ensure success.
- Requiring and/or encouraging State agencies to use the new enterprise system rather than agency-specific systems.

f. DIS Consultant

The DIS Consultant provides objective, professional advice to agency executive and IT management on the acquisition and implementation of IT resources. This position also exercises IT project oversight on behalf of the ISB. The Consultant's duties include providing both management-oriented and oversight-oriented independent quality assurance for the EAS HRMS project. Therefore, the Consultant should have direct and unfettered access to the EAS HRMS project's Executive Sponsor and Advisory Committees.

The Consultant's responsibilities include:

- Reviewing project plans and activities in the context of statewide policies to identify and mitigate risks.
- Conducting oversight-level quality assurance for the EAS HRMS project on behalf of the ISB.
- Reporting on project progress and risk factors to the ISB, and making "go forward" recommendations to the ISB.
- Providing management-level quality assurance for the project's Executive Director and Committees, and providing them management recommendations regarding the project.
- Attending all Policy and Operational Committee meetings.

g. External Quality Assurance

External quality assurance at the project-level is necessary for the same reasons as external quality assurance is necessary at the program level. It provides independent project oversight to the project's Executive Sponsor, Project Director, and the Policy and Operational Committees. This consists of valid, unbiased information about the project's status, performance trends, and forecasts for completion. The State may wish to consider selecting a single outside resource to provide both program and project quality assurance. This would facilitate an integrated, seamless review of all aspects of the CSR/CB implementation effort.

The external quality assurance resource reports to the Policy Committee. Responsibilities include:

- Establishing a project oversight plan.
- Establishing status reporting requirements and performance standards for the project.
- Evaluating the performance of the project relative to the planned expectations of budget, scope, schedule, and quality.
- Conducting special reviews as necessary to investigate risk issues.
- Providing project oversight reports including:
 - Actual budget versus planned budget.
 - Actual schedule versus planned schedule.
 - Actual functionality versus required functionality.
 - Effectiveness of change management.
 - Quality status.
 - Risk issues and proposed mitigation strategies.

h. State Project Manager

A description of the State Project Manager's role and responsibilities, as well as recommended qualifications for the position, are included below.

(1) Description

The State Project Manager represents the State in monitoring and directing the EAS HRMS project's day-to-day operations as well as the day-to-day activities of the integrator and other project consultants, and the software contracts involved in the project.

The State Project Manager reports to the Operational Committee. Responsibilities include:

- Directing and coordinating project resources.
- Ensuring the EAS HRMS project is operating within its charter.
- In partnership with the integrator, ensuring that the project is meeting budget, schedule, scope, and quality objectives.
- Verifying that design and technology decisions are consistent with the State's needs, as well as consistent with its standards and strategies.
- Acquiring the correct technical and functional expertise.
- Facilitating knowledge transfer between the EAS HRMS project's external resources and State staff.

(2) Qualifications

The State Project Manager shares the single most critical role in the EAS HRMS project with the Integrator Project Manager. It is the position that “makes it all happen” and is the key link between the project and the State's goals, strategies, and resources. The State Project Manager must have extensive experience and background in the key aspects of enterprise projects. The State Project Manager should have the following qualifications:

- Successful project management experience in large public sector system development, integration, and implementation projects, preferably within Washington State government and in the HRMS domain.
- Ability to plan, coordinate, and communicate effectively in a large, complex information technology project environment.
- Successful experience working the multiple customer and stakeholder groups with varied and sometimes conflicting needs and requirements.
- Outstanding leadership ability, including motivating team members, establishing direction, inviting participation, aligning individual and team efforts with project goals and the customer's business strategies.
- Excellent written and oral communication skills.

i. Integrator Project Manager

A description of the Integrator Project Manager's role and responsibilities, as well as recommended qualifications for the position, are included below.

(1) Description

The Integrator Project Manager directs the Project Management Office and shares the single most critical role in the EAS HRMS project with the State Project Manager. The Integrator Project Manager must have extensive experience and background and a successful track record in all aspects of projects to implement an EAS HRMS. The Integrator Project Manager must have an understanding of complex stakeholder environments. The position is filled by a senior EAS package implementation project manager.

Integrator services will be provided to the project by an outside consulting organization. The EAS HRMS project's success is contingent upon the technical, organizational, change management, and political expertise of the integrator coupled with the integrator's proven capabilities and resources with public sector EAS HRMS implementations.

The Integrator Project Manager reports to the State Project Manager. Responsibilities include:

- Maintaining overall responsibility for planning, managing, implementing, and supporting all EAS HRMS project activities, and overall accountability for the integrator's responsibilities.
- In partnership with the State's Project Manager, managing the EAS HRMS project and all related business process and technology design efforts.
- Resolving project conflicts and other issues, and escalating those that cannot be resolved internally to the State Project Manager.
- Managing policy initiatives and business process engineering efforts.
- Ensuring the right technical and functional expertise is available to the project.
- Providing the appropriate resources to ensure that the State has the opportunity to enable its personnel to use and maintain the system after it is implemented.
- Providing periodic status reports to the State Project Manager and other interested parties.

(2) Qualifications

The project's success is contingent upon the technical, organizational, and political expertise of the integrator coupled with the integrator's proven capabilities and resources with public sector EAS HRMS systems. The Integrator Project Manager should have the following qualifications:

- Ability to plan, coordinate, and communicate effectively in a large, complex IT project environment.
- Successful experience working with the multiple customer and stakeholder groups with varied and sometimes conflicting needs and requirements.
- Outstanding leadership ability, including motivating team members, establishing direction, inviting participation, aligning individual and team efforts with project goals and the customer's business strategies.
- Excellent communication skills, both written and oral.
- Successful experience in large public sector EAS HRMS system integration and implementation projects, preferably at the state level.

j. Project Management Office

The Project Management Office is a temporary management structure created to manage the daily activities of the EAS HRMS project and its teams as well as to ensure integrated project operations and delivery. It coordinates closely with the existing Project Management Office operating within HRISD. The Project Management Office is staffed by State and integrator personnel and is led by the State and Integrator Project Managers.

The responsibilities of the Project Management Office include:

- Developing and maintaining updated project work plans.
- Monitoring and reporting status against the work plan on scope, schedule, budget, and quality.
- Ensuring effective agency change management.
- Updating, maintaining, and communicating project requirements.
- Establishing a standard project management methodology, including tools and communication.
- Establishing project scope and responsibilities and coordination of project deliverables.
- Maintaining awareness of the "big picture," seeing the whole project and all of its functional teams in order to monitor trends and recognize global problems.

- Identifying and reducing project risks.
- Maintaining a repository of project information and documentation
- Providing information and reports to senior management and the Policy and Operational Committees.
- Coordinating issue management, and review and approval of all work products.

k. Legislators and Staff

Key legislative members and staff should be briefed periodically on the project and its progress.

l. Human Resource Managers

There needs to be periodic briefings with human resource managers to advise them of system implementation plans, identify any implementation issues in agencies, and advise about resolution of issues.

m. IT Directors

A committee comprised of state agency IT Directors should provide technical guidance to the project, and ensure that the project is coordinated with the IT Portfolio Plans and technology directions of other State agencies.

The membership of this committee should include the assistant directors for information technology from selected agencies. The new DIS Chief Information Officers' group could perform this function.

The IT Directors' responsibilities include:

- Review and provide recommendations on system designs and technology choices for the new EAS HRMS system.
- Provide information to the project regarding existing agency applications, network systems, platforms, and other technical components that may be affected by the new EAS HRMS system.
- Coordinate communication between customer agencies' IT departments and the project regarding technical issues and concerns.

n. Labor Representatives

Representatives of the various labor organizations of State employees should be proactively engaged during the EAS HRMS project about the implications of bargaining on the systems project.

o. Data Consortium

The Data Consortium is an entity comprised of State executive and legislative branch members and representatives of local government. Its mission is to promote sound enterprise data management practices. The Data Consortium considers this project a priority. It can play an important role by:

- Resolving issues concerning common human resource data management practices associated with this project.
- Resolving issues concerning common data management practices across agencies and institutions not directly impacted by this project (e.g., consistent data definitions between and among agencies, institutions of higher education, different branches of government, and local governments).
- Supporting change management through executive and legislative policy processes.

p. Washington State Enterprise Architecture Initiative

DIS is planning to pursue an Enterprise Architecture Initiative to define common business and technology practices. That initiative can support this effort by:

- Accounting for this project in its architectural work.
- Assisting in resolving data standards issues.
- Helping to ensure that the work of implementing the new system is unimpeded by the strategic work of the architecture initiative.

q. State Employees

A comprehensive periodic communication plan should be developed for all stakeholders, especially for State employees, communicating key information on project progress, how the HRMS implementation will affect employees in their day-to-day work, and the opportunities the new system presents.

r. Others

During the course of the project, other stakeholders will be identified using the communication plan to ensure they are briefed and involved in the process.

VIII. Estimated Timeframe and Workplan



A. Overview

The estimated timeframe of the project to fully implement the proposed solution and provide post implementation support spans 37 months.

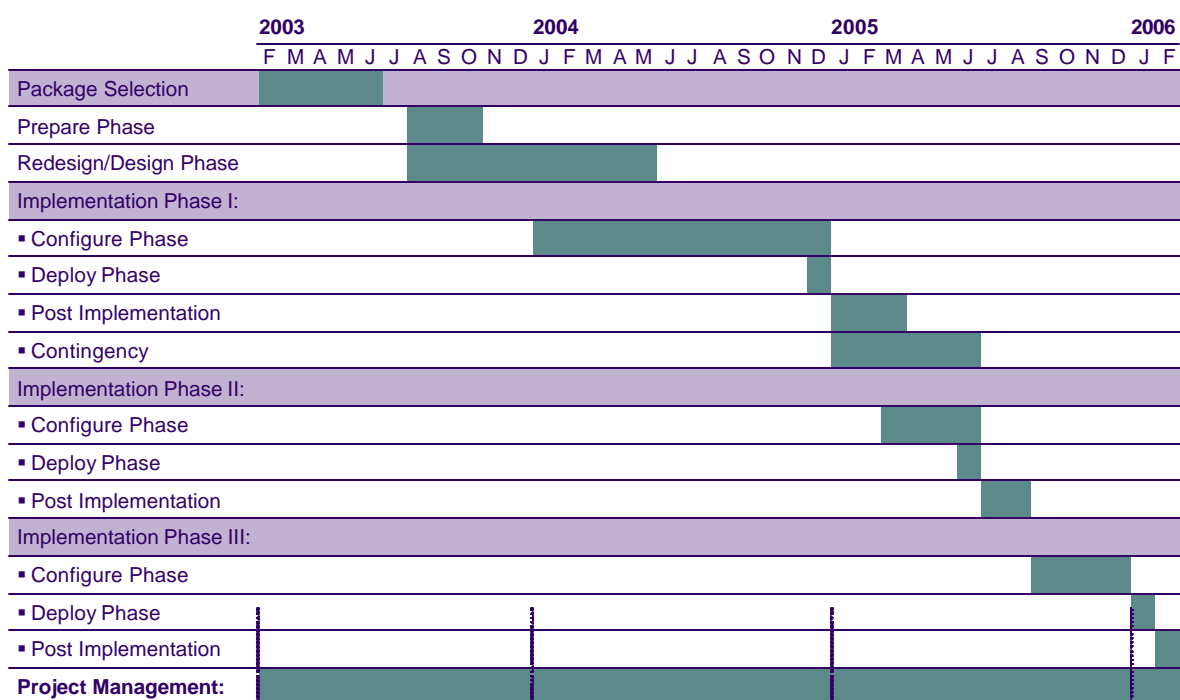
Functional implementation is divided into three phases. The first phase consists of implementation of the base functionality of the EAS HRMS package plus support for all business requirements identified by DOP for the 2003-05 biennium. The second phase consists of implementation of enhanced functionality to early adopter agencies. The third phase consists of the deployment of the enhanced functionality to the balance of the State's agencies.

It is estimated that the project will require a maximum of 22 State FTE's and 11 integrator FTE's at any one time.

B. Estimated Timeframe

Exhibit VIII-1 displays the project's estimated timeframe.

Exhibit VIII-1: Estimated Timeframe



The estimated timeframe for Alternative 2 includes phases for package selection, implementation of phase I, II and III. Project Management is an on-going phase that will commence with the initiation of the Package Selection Phase and will continue through the end of the Implementation Phase III.

C. Milestones

Exhibit VIII-2 displays the significant project milestones.

Exhibit VIII-2: Project Milestones

Activity	Begin Date	End Date
Package Selection	02/02/03	06/30/03
Phase I:		
Implementation	08/01/03	12/31/04
“go-live”	n/a	01/01/05
Post-Implementation	01/01/05	03/31/05
Phase II:		
Implementation	03/01/05	06/30/05
“go-live”	n/a	07/01/05
Post-Implementation	07/01/05	08/31/05
Phase III:		
Implementation	09/01/05	01/31/06
“go-live”	n/a	02/01/06
Post-Implementation	02/01/06	02/28/06

Upgrades to the EAS HRMS software received during the implementation phases could require adjustments to the project’s milestone dates. Before the project begins, the State should determine their preferred course of action if upgrades are received. If upgrades are to be applied during the implementation phases, the State should ensure that adequate upgrade assistance is available from the integrator through contractual provisions. If upgrades are not to be applied during implementation phases, the State should pursue a contractual guarantee from the EAS HRMS vendor to continue support of the software version being implemented for a reasonable period after implementation is completed.

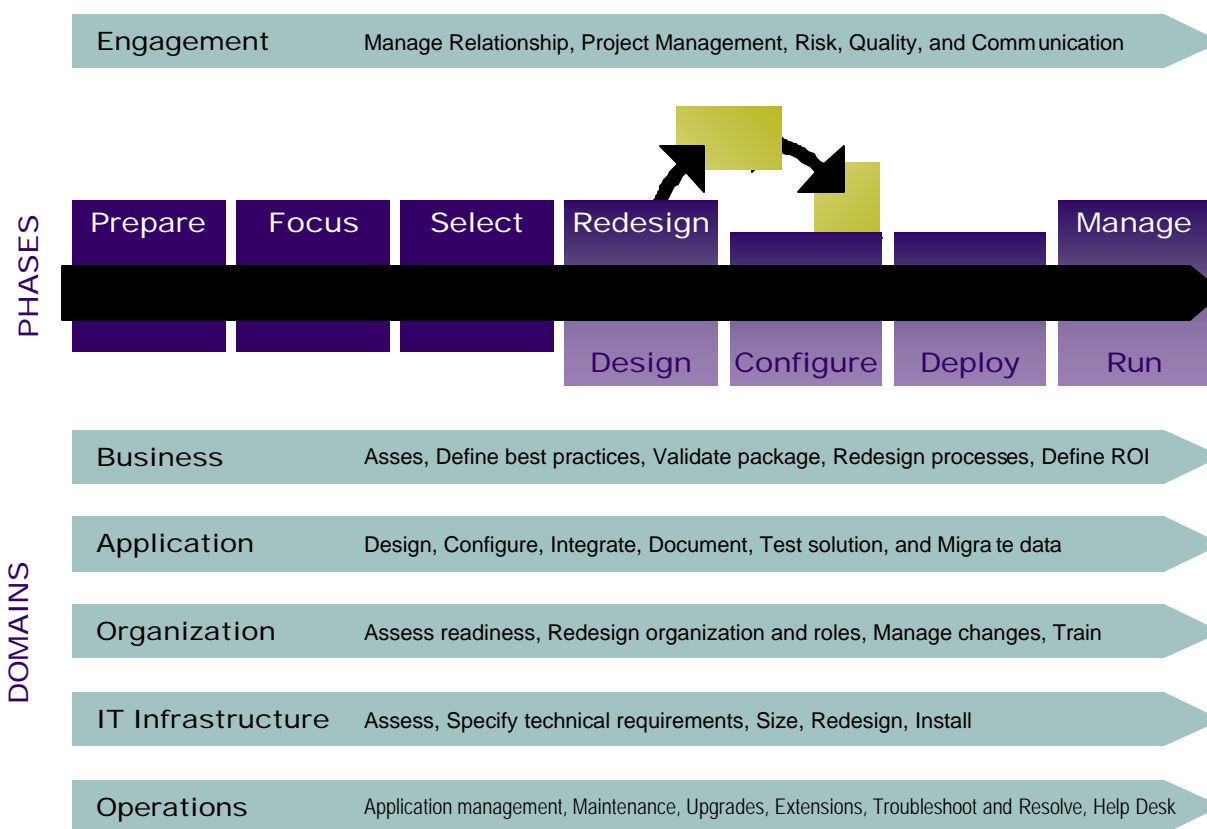
D. Work Plan

The Work Plan is based on an industry-standard implementation methodology. It incorporates an issue-driven approach to packaged-applications implementations focused

on key business issues and goals to drive the technology strategy to support business initiatives. It is a “best of breed” blend of academic discipline and practical experience that provides an optimal mix of theory and applied knowledge in developing business and IT plans. The actual methodology employed for the project will depend on the integrator selected and the State’s implementation methodology standards.

The methodology is displayed graphically in Exhibit VIII-3 below.

Exhibit VIII-3: Industry-Standard Methodology¹



The methodology provides sequential phases for package selection and package implementation supported by underlying domains of specific expertise, including Project Management.

1. Package Selection

The purpose of the Package Selection effort is to facilitate the selection of a software vendor and integrator for the subsequent phases. Package selection is organized into three sequential phases: Prepare, Focus and Select.

¹ The example used is IBM’s Global Services MethodBLUE. Other organizations have similar methodologies.

a. Prepare Phase

The Prepare Phase helps the team understand and assess the State's vision and business strategy. The State's project leadership team participates in this exercise to facilitate aligning the project vision to the organization vision. During this phase, the team assembles and completes the detailed planning and organization for the engagement and begins to focus on the issues and opportunities facing the State.

The team will identify and document the executive strategic vision for the State based upon a joint work session with key executives and the project leadership team. This aligned strategic and project vision will be used as the basis for the package selection effort and will also aid in the identification of critical business processes and requirements in the Focus Phase. Tasks include:

- Organize the project.
- Develop project work plan.
- Align organization/project strategic vision.
- Identify key issues and opportunities.

b. Focus Phase

Building upon work completed in the Feasibility Study, facilitated workshops will be conducted in order to gather and validate information, decide priorities, gain buy-in and identify data needs—including best practice-based business requirements unique to the State. These will enable the State's Solution Team to visualize the most appropriate and efficient future business process design.

In addition, the team will identify and/or validate unique general and technical requirements. These requirements will be incorporated, as appropriate, into a Requirements Matrix, which will be used to evaluate potential vendor solutions and assist in the design of the solution, once determined. A Decision Model will be created to help prioritize desired functionality and capabilities associated with future State processes. This model will assist in the evaluation of vendor offerings.

By looking at the desired future state of the State's business, the team will capture important details concerning potential improvements in capabilities and business performance. Concurrent with the business process and requirement validation workshops, Vendor Analysis will be conducted to serve as an informational basis for identifying the short-list of vendor solutions. Tasks Include:

- Validate 'to be' business process models.
- Validate business requirements.
- Validate general and technical requirements.

- Develop decision model template.
- Perform vendor analysis.

c. Select Phase

The purpose of the Select Phase is to provide an objective, business driven approach to facilitate the Solution Team's recommendation for selection of a vendor packaged application and integrator.

Using the State's requirements, an RFP is prepared, results are analyzed, and a short-list is determined based upon the Decision Model developed in the Focus Phase. Demonstration scripts are prepared using the State's requirements as a basis. Vendor demonstrations are facilitated, scored by the State's Solution Team and the results are analyzed in order to formulate a Final Solution Recommendation. Tasks include:

- Develop a request for proposal (RFP).
- Administer the RFP.
- Develop short-list recommendations.
- Develop demonstration scripts.
- Assist in vendor demonstration preparation.
- Facilitate vendor demonstrations.
- Summarize vendor scoring results.
- Validate cost estimates.
- Prepare final recommendation report.

Additionally, during the Focus and Select Phases, Organizational change management consulting resources will be utilized to assist with the development of the following:

- Communications Program.
- Organizational Readiness Assessment.
- Alignment of the project's vision and goals with the State's vision and goals.
- Sponsorship Program.
- Risk mitigation strategies.

2. Implementation Phases

a. Implementation Phase I

The purpose of Implementation Phase I is to implement baseline Personnel, Leave, Payroll, and Benefits functionality contained in the EAS HRMS package that the State will select in the Package Selection Phase. At the conclusion of Implementation Phase I, the State will have system functionality in place to meet the requirements that are currently defined to support CSR/CB for the 2003-05 biennium.

b. Implementation Phase II

Implementation Phase II will provide for the implementation of more enhanced functionality contained in the selected software, i.e., employee and manager self-services, recruiting, training, and workflow management.

c. Implementation Phase III

Implementation Phase III will provide for the implementation and deployment of more enhanced functionality to those agencies not included in the Phase II implementation.

d. Methodology for Implementation Phases

Using an industry-standard methodology, the implementation effort will consist of the following phases: Prepare, Redesign/Design, Configure, Deploy and Post-Implementation.

The Prepare and Redesign/Design phases for Implementation Phases I, II and III will be performed concurrently in order to achieve effective and efficient implementation. Then, separate Configure, Deploy and Post Implementation Phases will be performed for Implementation Phases I, II and III. However, these separate phases will be composed of the same tasks—only they will be conducted at different times.

(1) Prepare Phase

The purpose of the Prepare Phase is to understand and assess business strategy, critical processes, readiness for the change, the current IT infrastructure and application portfolio and to define the strategies needed to implement the package.

The integrator will assist the State to:

- Develop the project plan.
- Conduct a project kick-off meeting.
- Review the State of Washington business environment.
- Identify the current IT environment.
- Identify the future business strategy.
- Identify and assess the current state.
- Define operating principles.
- Assess readiness for change.
- Develop the high level implementation strategy.
- Develop organizational change management strategy.
- Develop deployment and core team training strategy.
- Define package integration standards and procedures.
- Develop testing strategy.

(2) Redesign/Design Phase

The purpose of the Redesign/Design Phase is to assist the State to leverage the selected package to accomplish the following:

- Redesign business processes and organization.
- Design the package and associated information technology infrastructure to support the business processes.
- Provide basic package knowledge to the project team.
- Document future business processes, future organization, and the design of the package solution.

Redesign/Design activities applicable to Implementation Phases I, II and III will be conducted in this Redesign/Design Phase.

The integrator will assist the State to:

- Provide application-specific business process education for the State's core project team.
- Define future package and business processes.
- Develop business scenarios and scripts.
- Determine package detail fit and gap.

- Define/plan IT architecture.
- Design IT organization and processes.
- Prepare initial system environments.
- Prepare and prioritize development requirements.
- Design/confirm package configuration standards.
- Develop deployment education and training plan.
- Identify organizational change management procedures.
- Design data mapping and clean-up strategy.
- Plan end-user training materials development.
- Develop functional and technical specifications.

(3) Configure Phase

The purpose of the Configure Phase is to develop, integrate, and test the final packaged application configuration, as specified in the Redesign/Design Phase. Training materials and documentation are also created during this Phase for use in training and testing sessions.

The integrator will assist the State to:

- Develop baseline configuration.
- Develop final configuration and test scenarios.
- Prepare data load plan.
- Develop custom programs including interfaces.
- Prepare extracted legacy data including data conversion.
- Manage IT development/testing/training environments.
- Develop comprehensive test plans.
- Perform integration tests.
- Perform user acceptance tests.
- Develop deployment training and materials.
- Develop deployment and cut-over plan.
- Conduct “train the trainer” training.
- Conduct end-user training.
- Prepare post “go-live” support strategy.

(4) Deploy Phase

The purpose of the Deploy Phase is to move the system into production and provide post production and implementation support, in compliance with the implementation strategy.

The integrator will assist the State to:

- Prepare for production.
- Cut-over to production.
- Provide post-implementation and organization support.
- Complete the final status report.

3. Project Management

Executive and day-to-day project management are necessary in order to establish and maintain a framework for the execution of the project's communication, reporting, procedural, and contractual activities. Tasks will include:

- Administer the integrator's project work plan.
- Interface with the State's project management and executive management.
- Administer project change control.
- Prepare status reports.
- Maintain project communications.
- Help resolve project issues and, if necessary, participate in escalation procedures as required.
- Execute Project Management Office responsibilities.

E. Functionality to be Implemented

1. Implementation Phase I: 2003-05 Biennium

The State of Washington prefers to take an incremental approach to EAS HRMS implementation. However, because of the integrated nature of an EAS HRMS, it is necessary to implement at least base functionality in each of these functional areas—Human Resources, Personnel, Benefits Administration and Payroll. It is recommended that the State include the following functionality in Implementation Phase I:

- Security
- Reporting
- Company Structure

- Job Structure
- Employee Groups
- Position Control
- Staffing Requirements
- Employee Positions
- Performance Reviews
- Personnel Actions
- Employee History
- Wage Analysis
- EEO Reporting
- Contract Tracking
- Attendance Management
- Deductions
- Garnishments
- Workers' Compensation
- Funding Sources
- Payroll Distributions
- Deposit Distributions
- Interface for time and labor information from HRISD Payroll System or implementation of Time and Labor.
- Payment Creation
- Adjustments
- Payment Modeling
- Bank Reconciliation
- Third Party Government Payment Processing
- Interface from HRISD Benefits System for Payroll deductions or implementation of base Benefits Administration that would include Benefit Plan setup and maintenance.
- Maintenance of Employee Records
- Employee Enrollment
- COBRA and Retiree Tracking and Enrollment

It is understood that collective bargaining agreements will not become effective until six months after Phase I has been configured and “go-live” has been accomplished on January 1, 2005. Consequently, the integrator will work with the State to configure the EAS HRMS application for the new collective bargaining requirements. It is not expected that this effort will be significant. The configuration and subsequent migration of employees to their new collective bargaining status will be accomplished as part of the post-implementation efforts for Phase I and the configuration portion of Phase II.

2. Implementation Phase II: 2005-07 Biennium

The following enhanced functionalities are suggested for deployment to a limited number of “early adopter” agencies for the 2005-07 biennium and will provide further human resource management efficiencies:

- Employee and Manager Self-Service
- Workforce Analytics
- Performance Management
- e-Recruiting
- Training
- Approval and Notification Workflows

3. Phase III: 2005-07 Biennium

Deployment of the enhanced functionalities (as detailed above in Phase II) is suggested for those agencies not included in the Phase II deployment. It is also suggested that this phase have limited support for the external integrator and that State resources lead this phase.

Once the State has selected a specific software package, the recommended functionalities and the suggested implementation phasing will need to be re-visited as each software package may require slightly different implementation phasing.

F. Estimated Resources

Project resources will consist of State of Washington and integrator personnel. The State will need to provide a full-time implementation team, led by a full-time project manager. Part-time State personnel will supplement the team when appropriate. The estimated number of full-time State of Washington and integrator resources are detailed, by project phase, in Exhibit VIII-4.

Exhibit VIII-4: Project Resources

Phase	State FTE's	Integrator FTE's
Package Selection	2.0	2.3
Prepare	9.4	2.9
Redesign/Design	14.1	9.3
Implementation Phase I:		
Configure	17.9	12.5
Deploy	19.5	10.0
Post Implementation	21.9	11.8
Implementation Phase II:		
Configure	16.5	8.3
Deploy	17.3	8.8
Post Implementation	21.7	11.1
Implementation Phase III:		
Configure	20.0	6.9
Deploy	20.0	6.1
Post Implementation	20.0	5.6

IX. Cost/Benefit Analysis



A. Overview

The Cost/Benefit analysis was performed to determine the costs of the project options and to compare the project values. This chapter of the Feasibility Study is organized into the following sections:

- Benefits
- Cost/Benefit Analysis

B. Benefits

There are significant benefits for the proposed project. Some of these are tangible (measurable). Others are intangible (which provide value but are not measurable). Because of data limitations, it was not possible to quantify tangible benefits during the feasibility study. However, the State plans subsequent work to benchmark, analyze, and measure these benefits and associated cost savings.

1. Timely, Accurate Paychecks (Tangible)

To date, the payroll system has produced accurate paychecks on schedule for 65,000 employees. However, this basic capability will continue to be challenged. In part, this is due to the following:

- The system is not well documented and is written in technologies that are difficult to change.
- There have been numerous system modifications since 1977. When a modification is made to one part of the system it ripples into other parts in unpredictable ways.
- Several key people who understand the current payroll system are retiring and it is increasingly difficult to find people to replace them who understand the system's underlying technology.
- Meeting the requirements of CSR/CB will put an additional burden on this already stressed system and the risks associated with modifying it are great.

Moving to a contemporary system will help ensure timely, accurate paychecks. The single most tested and proven area of this type of EAS system is the production of paychecks. This is possible because of the packages' processes for configuration and

entry of employee information, pay period calendars, work schedules, positions and salary scales, valid account coding, and benefits and deductions.

Human resource staff will have access to on-line help documentation and processing directions for such transactions as:

- Unlimited number of pay types.
- Unlimited number of deductions.
- Calculation of various benefit premiums.
- Direct deposit of net pay.
- Retroactive adjustments.
- Garnishments.
- Accurate payroll accounting distributions.
- Accurate gross to net calculations.

Further, using an experienced system integrator for the project will allow the State to follow proven practices for system testing and cutover to ensure accuracy when the system is implemented.

2. Reforming Civil Service (Tangible, Intangible)

The new legislation offers a once-in-a-generation opportunity to overhaul one of the State's most cumbersome business processes, the State Civil Service System. It offers the chance to recruit, retain, and reward the best employees, thereby enhancing the quality of one of its largest and most important investments, the State workforce. However, this fundamental reform cannot take place without wholesale changes to the human resource information systems, changes such as providing position classifications, determining different pay approaches, and providing information that managers need to make informed personnel decisions under the new law.

Because a Tier-One EAS HRMS package already contains the vast majority of the needed functionality and incorporates proven technology, adopting a package system approach provides added predictability and reliability for this major system change. It is expected that most Civil Service Reform requirements can be accommodated by a Tier-One EAS HRMS package with "out-of-the-box" functionality.

Following are the examples of the new rules and methods for compliance with the benefits of the EAS HRMS package solution:

a. New Classification System

The Personnel Reform Act calls for the streamlining of Washington State's classification structure. This is an opportunity for the State to consider the broadband approach, in which large numbers of jobs or functions are grouped into broad categories based on various factors, such as:

- Type of work.
- Level of responsibility.
- Compensation level.
- Occupational group.
- Competencies.
- Education and skills.

An essential benefit of an EAS HRMS package solution is the ability to create the future new classification system descriptions and attributes. The EAS HRMS organizational structure allows:

- Description of an unlimited number of job classification groupings with general characteristics and related qualification requirements.
- Description of an unlimited number of positions with specific requirements and unique skills identified.
- Ability to build relationships between the job classification, position, and unique criteria for recruitment, hiring, and retention.
- Ability to build staff development for employees' growth and increased value to the organization.
- Opportunity to track job classification and position attributes that change over time by agency for statewide and business analysis.

b. Compensation

Should it choose, the State can now go beyond "rule-based" civil service to one that is "performance-based." Compensation can be based on performance and this will have great benefits with a boost to employee morale, productivity, and quality of work.

An EAS HRMS solution is designed to provide management with the tools to create flexible salary bands allowing work assignments and compensation to be determined in broad parameters with minimum of rules by allowing:

- Compensation packages to be established by bargaining unit related to the position or job classification within an agency.
- Discretionary placement on the salary bands.
- Tracking history of an employee's positions related to job classifications, positions, and compensation levels from one or multiple agencies.

c. Recruitment and Selection

The new CSR rules will change the methods for recruitment and promotion by an agency to allow the hiring and promotion of the best qualified and best performing candidates. The number certified for vacancies and promotional preferences can be negotiated by a coalition of all bargaining units, which may cause the recruitment and selection of candidates to vary from contract period to contract period.

The recruitment component of an EAS HRMS provides the benefits of defining business rules for the various terms and conditions of employment and recruitment. Tracking applicants, certified candidates, interviewing, and hiring may be managed effectively with an EAS HRMS while building a valuable history for analysis and confirmation that rules are followed in the process.

d. Training and Development; Performance Evaluation; Recognition

The training component will be implemented in Phase II: 2005-2007 biennium and will allow managers to fully evaluate the workforce with the performance management capabilities.

Analysis of an employee's training and development, performance, and recognition history can be easily accessed through an EAS HRMS dated history of:

- Successful accomplishments by the workforce, such as completion of education, training, skills development, awards, attendance, and incentive programs offered to employees.
- Corrective and disciplinary actions by the type and number of occurrences, the corrective plan, and the monitoring actions taken with outcomes.
- Automated performance evaluation notifications to managers and supervisors with tracking completion dates and evaluation ratings.
- Workforce analysis based on manager defined criteria.

e. Reduction in Force (RIF)

CSR will allow managers to use discretion in layoff decisions based on retaining the more productive, talented, and diverse workforce. This includes an increase in the complexity of the RIF process and requires objectivity and fairness on the part of decision makers.

EAS HRMS packages provide histories and ad hoc reporting tools that allow any number of scenarios for selection criteria to collect information for analyzing various views of the organizations' workforce. This allows managers to analyze the impact of different possibilities for RIF and reemployment from RIF.

3. Implementing Effective Collective Bargaining (Tangible, Intangible)

The implementation of collective bargaining cannot be separated from implementation of civil service reform. Both efforts have many of the same business requirements. The benefits of employing an EAS HRMS to support civil service reform that are listed above can also be expected from using the package to support implementation of effective collective bargaining.

Collective bargaining presents the opportunity for employees, unions, and management to negotiate issues that are vitally important to them. Under the Collective Bargaining Law, matters subject to bargaining include wages, hours, and other terms and conditions of employment. Matters subject to bargaining conducted between the employer and a coalition of all collective bargaining unit representatives are:

- Number of names to be certified for vacancies.
- Promotional preferences.
- Leave benefits.

The collective bargaining agreement shall contain provisions that:

- Provide for a grievance procedure.
- Require processing of disciplinary actions or terminations of employment.
- Provide provisions for retroactive adjustments for salary, benefits, etc. Regardless of the date when the new agreement is completed, the effective date will be the first day after the end date of the previous agreement.

Each bargaining unit within each agency will participate in collective bargaining agreements each budget cycle. Negotiations will be a critical matter and management will need information from a robust and comprehensive human resources system.

An EAS HRMS package can provide typical workforce analysis by selecting criteria that will provide the historical and statistical landscape by bargaining unit of the following:

- Number of employees.
- Positions histories.
- Recruitment issues and successes.
- Workforce compensation schedules.
- Standard and non-standard work schedules.
- History of overtime hours and costs.
- Turnover costs.
- Salary and benefits expenditures.
- Vacant position savings.

Armed with information that accurately reflects the history of the employees within a bargaining unit, management can meet with confidence at the negotiation table.

4. Supporting Cost-Effective Outsourcing (Tangible)

Historically, contracting out services customarily performed by State employees has been prohibited by law. The Civil Service Reform Act of 2002 eliminates that prohibition (subject to collective bargaining). Instead, it outlines procedures for competitive contracting out of services. The Department of General Administration (GA) will be responsible for developing the rules that govern this aspect of the bill.

The 2002 statute also gives State employees the opportunity to offer alternatives to contracting out and to compete for the work. The DOP is developing an education program that will teach employees how to develop and submit bids.

The state will have the opportunity to evaluate which State services might be cost-effectively contracted out to private companies. The EAS HRMS can provide the historical human resources and payroll data for analysis of the cost of providing the service with in-house staff to that of providing the service through private contractors. This will involve distributing labor costs to services in a way that cannot be done with current systems. An EAS HRMS is able to do cost accounting by cost centers, pay for contracted services, and also produce the appropriate 1099 forms for Internal Revenue reporting.

5. Improving Information for Policy and Management Decisions (Tangible and Intangible)

A human resources enterprise application solution will provide the Legislature, OFM, and agency management improved access to accurate and timely personnel and payroll information for management and budgetary data analysis, and information such as trend analyses, projections, impact summaries, and staffing profiles.

Some examples of this information are:

- The number of FTE's by funding source.
- Headcount by agency, county, and state.
- Average state salaries and growth over years.
- Position histories, turnover, and vacancy rates.
- Actual cost of various scenarios for salary increases.
- Workforce trends analysis.
- Impact studies of statewide initiatives, programs and policies, including various benefit-expense ratios.
- Washington Management Services (WMS) manager headcount, level of mid-managers, and salary by agency over a period of years.
- WMS positions analysis of track records of growth and movement of positions and salaries within an agency and transfers among agencies.

An EAS HRMS package solution provides strict control on data integrity, extract and reporting tools, and effective-dated information for tracking trends. All of this supports timely and informed analysis and decision making. This also provides DOP staff with better tools for providing effective and accurate information and analysis, for improving business processes, and for improving level of service to customers.

6. Reduction in Costs for External Systems (Tangible)

A survey of agency-unique human resource systems was conducted in 2001. Within the 39 line agencies that responded, there were 84 human resource systems being operated and an additional 33 systems being proposed. Many of these external systems support human resources functions that could be provided in the new software. These systems are costly. There are costs associated with the software licensing fees, ongoing systems support and upgrades, duplicate data entry and storage, hardware, and data reconciliation. To the extent that agencies use the new system to perform these functions, current systems could be eliminated and future systems forestalled.

In order to identify where systems and associated costs can be eliminated or avoided it will be necessary to:

- Inventory current and proposed external systems, identifying and documenting their functions.
- Involve line agencies in comparing the functions against the requirements for the new system and revise requirements as necessary.
- Evaluate the capability of software to meet requirements.
- Assess whether the agency systems would be replaced.
- Document the costs of these systems that may be eliminated.

7. Avoidance of Costly Disputes (Tangible)

Other jurisdictions have faced multimillion dollar legal judgments in the human resources area related to hiring and compensation practices. With the broader discretion managers may have over position assignments and salary levels under the Personnel System Reform program, it is likely their decisions will come under increased scrutiny. New systems capabilities offer the opportunity to help the State avoid liability by supplying human resource information across agencies and supporting common practices that can demonstrate an “even handed” approach to human resource issues.

Easy access to a broader range of information about employee activity and performance will allow managers to make more informed personnel decisions.

One point of entry providing accurate and up-to-date information collection, editing, and requirements to complete records for performance evaluations, disciplinary actions, and grievance reports and their outcomes will provide management with accurate historical information to refute charges brought by a bargaining unit or employee.

Tracking of personnel actions will provide an historical record of an employee’s employment, job performance, attitudes, and relationships with other employees. Specific information on grievances and disciplinary actions will provide information on the steps that management took to resolve issues with the employee and other staff related to the situations.

Providing better data for decision-making, along with historical data to support management decisions that may be questioned, will be important to avoid and address legal challenges that may arise from these changes in the State’s personnel system.

8. Flexibility to Implement Legal and Business Improvements (Tangible)

Flexibility will be a critical component of any automated solution for CSR/CB because of the significant and ongoing changes that can be expected in Washington’s

personnel system throughout the coming years. In addition, new bargaining units and contracts will require accommodation to varied business rules based on negotiated agreements. The functional flexibility of an enterprise application package solution means that, after initial implementation of core requirements in 2005, additional requirements in the future associated with the personnel system reform initiative can be accommodated without extensive system rewrites.

There also is a significant problem in the current system's inability to meet new requirements without significant funding from the Legislature. As a result, State agencies sometimes are left with expensive and time-consuming manual processes to accommodate new rules and requirements.

CSR/CB requirements and future changes in law can be accommodated because modifications can be made by modifying the package configuration rather than re-coding the underlying computer programs.

One example illustrates this. The State Patrol recently determined that certain special overtime pay was not subject to retirement. In order for HRISD to accommodate this change, a new overtime field was needed. Due to the cost of this effort, the Legislature did not authorize the funding to implement it. The State Patrol now has to manually enter over 800 additional entries each month to report overtime correctly. A package system with an unlimited number of potential pay types and indicators for withholding retirement would accommodate this new requirement without system programming changes.

In addition, package systems are technically scalable to allow for increases in the volume of transactions and data processed. This means that as more agencies start using the system, it will be easy to accommodate increased usage by adding capacity for the system.

9. Streamlining Processes (Tangible)

There are a number of ways new human resource information system capability can improve the use of resources. A modern system supporting electronic workflow routing and approval could eliminate manual processes and multiple processing steps that cause employees to spend time on non-value added work. Employee and manager self-service could result in reduced effort for employees as well as agency human resources staff. There could be better access to human resources' services and information, e.g., job opportunities to state citizens through e-government technology.

An EAS HRMS package provides a single point of data entry and validation not currently available in HRISD systems. The package system will edit data entry at the source and help prevent the entry of incorrect data. It has control tables and system parameters for establishing valid codes, as well as drop-down menus on fields for point and click selection. A package has edits that prevent the entry of inaccurate data into fields that have relationships with other fields and a crosswalk of valid relationships

between fields. Rules for entering valid data can be established using system configuration indicators, drop-down lists of valid values, and grayed-out or hidden fields.

The movement to a more centralized human resources management system means that agencies' staffs will not spend time entering the same data into two systems and then reconciling the results from both systems because of invalid data, differing coding systems, or diverse calculation rules. This often occurs with time and attendance activity that is entered by agencies into their own unique systems and then into the central system. Separate individuals in different departments within an agency often do this, each interpreting the time reports. Each time duplicate data is entered, the risk of data integrity being comprised is increased.

Another area for significant reduction in data handling time is changes to data. A packaged system would allow for mass changes to be made to data. The package allows customers to define the data fields on which they want to provide mass data change capabilities. Criteria for the changes are established and then all employee records that fall within the criteria are changed from one data field value to another value. An example of the savings in time and effort with a mass data change could be when a job classification is deleted from civil service and all employees with that class are moved to a new job classification. This would mean time savings both for human resources and HRISD and other technical staff, since technical staff often must make the required changes directly to the database.

The State is considering undertaking a benchmarking effort to serve as the basis for determining cost savings associated with streamlining.

10. Savings with Employee and Manager Self-Service (Tangible)

Savings are possible if employees and managers are able to access and change their own data without relying on human resource personnel.

- Using employee self-service, employees can enter their own time on a timesheet, request leave, change their addresses, tax forms, personal and dependent information, request direct deposit, view paycheck history, benefit statements, and W-2 information.
- Using manager self-service, they can view time and attendance reports of the employees that report to them, view employee profiles and histories, and analyze leave and attendance trends.

11. Turnover Savings (Tangible)

The State does not have good information on employee turnover rates. Consequently, it does not have sufficient information to budget for turnover. Turnover information will be available in the new system.

There also is an opportunity to reduce turnover through providing managers better information, addressing employer concerns, and improving employee satisfaction by having them do higher value work.

An EAS HRMS package will provide information on turnover statistics by the month, quarter, or year. These reports can contain information such as:

- Employees terminated last month by department or supervisor, with the reason,
- Monthly, Quarterly or Annual cost savings on vacant positions by department, fund, cost centers, etc.
- Statistics showing the reasons that employees leave the organization for analyzing where staff morale or employment conditions need to be reviewed.
- Information reported by affirmative action criteria.
- Retirement turnover statistics which are important in an organization where a good share of the staff have been there for several years.
- Projections on staff that will be eligible to retire in one, two, or five years for forecasting vacant positions and potential savings.

12. Leave Accounting Savings (Tangible)

State agencies have problems with employees being paid for leave for which they do not have an adequate leave balance. This causes additional time and effort on the part of human resources or payroll staff to collect the overpaid money from the employee. There is also additional cost to the State if leave errors are not caught. The proposed system will avoid this additional staff time, as well as the financial cost of unearned leave time paid. An EAS HRMS provides verification of available balances for employees' leave requests before the leave time is paid.

13. Improving Morale and Productivity of Human Resource Professionals (Tangible, Intangible)

The Personnel System Reform Act of 2002 calls for revision of the State's hiring, classification, and compensation structures so that agencies can recruit, retain, reward, and train the best employees. One key to the success of this initiative will be managers' ability to establish and monitor performance-based goals within their work units.

With an EAS HRMS, human resource managers can focus on moving from a "task" orientation to a "process" orientation. This will occur as human resource personnel spend less time on transactional activities and are able to focus more on providing professional human resource services and support. A focus on process and decision-making will promote the broadening of employee skill sets and contribute to their increased morale and productivity over time.

An enterprise application solution would provide the State with a variety of performance management tools using a common database. Performance-based information can be easily gathered and reported. This information allows organizations to establish usable metrics, benchmarks, and balanced scorecards to align staff activities and goals with organizational strategy.

The State agencies' workforce will benefit from having access to their own performance information, as well as knowing that their managers have the ability to track their performance, new skills, training records, special projects, and awards so they can receive appropriate support, recognition, and rewards. System management tools provided with the application, such as comprehensive data collection, ad hoc reporting, self-service and online screen queries, will give staff confidence that they are being treated fairly and equally on a performance basis.

14. Improving Timeliness, Accuracy, and Availability of Data (Tangible, Intangible)

More timely, accurate, and standardized human resource data could instill confidence among data users leading to constituent/customer trust and more effective analysis. While in the past the State's payroll has been accurately produced, the human resource information systems have fallen short of meeting the human resource data needs of customers. New capabilities can improve the standardization, usefulness, and access to human resources data by human resources professionals, managers, executives, and the Legislature.

15. Accurate Payroll and Leave Reporting (Tangible)

Payroll and leave reconciliation reports and federal reporting requirements are some of the basic system benefits of an EAS HRMS. A major area of concern for the state in the past has been the production of accurate W-2's. Processing W-2's causes significant manual reconciliation and error corrections each year by the 120 agencies that are customers of HRISD. For example, there is a problem with accurate taxing of fringe benefits paid out of accounts payable. Reporting these benefits correctly in the central payroll system for the appropriate taxes to be withheld and accurate W-2 reporting requires considerable additional manual effort by staff. OFM reports that mistakes are made in entering which taxes are due; as a result, W-2's are incorrect.

An EAS HRMS allows for an unlimited number of pay types with appropriate indicators for taxes and taxable grosses. There is time after the last payroll of the year for year-end reconciliation and for making adjustments to dollar balances reported on the W-2. The EAS HRMS also keeps the corrections and balances in the appropriate year. The major benefit of this is that W-2's can be produced accurately, incorporating applicable federal laws and regulations, year after year.

The EAS HRMS vendor provides updates for the system with all federal law changes that include employment and payroll practices such as Family Medical Leave Act, Fair Labor Standards Act, and Social Security Administration and Internal Revenue changes for W-2 reporting. No special programming of the system is needed by State staff; this saves significant time and effort to make end-of-year processing changes to ensure that payroll is processed and reported accurately.

C. Cost/Benefit Analysis Forms

The ISB's Feasibility Study Guidelines for Information Technology Investments contain a set of Cost Benefit Analysis Forms for use in comparing the costs and tangible benefits among IT project alternatives. The forms are located at the end of this section. Each form is followed by a list of assumptions that were used as the basis for developing the costs included in the form. Additional cost information for each alternative can be found in the following appendices:

- Appendix G – Future Technical Architecture – Alternative 1
- Appendix H – Future Technical Architecture – Alternative 2
- Appendix I – Future Technical Architecture – Alternative 3

The scope of the feasibility study is limited to evaluating alternatives that will satisfy the 133 HRISD Personnel, Leave, and Payroll business processes that must be in place by the end of the 2003-05 biennium to support the implementation of CSR/CB. Alternative 1 (modify existing systems) and a portion of Alternative 3 (modify existing Payroll System), were estimated on this basis. However, a packaged solution cannot easily be configured to satisfy only the 133 specific requirements and no others. Therefore, Alternative 2 (package replacement) was estimated as a complete HRMS solution. In addition to the 133 requirements identified for the 2003-05 biennium, the complete package will meet most of the currently known CSR/CB business requirements for the 2005-07 biennium. For comparison purposes, an order of magnitude estimate of \$20 million should be added to the Alternative 1 estimated costs, and \$11 million should be added to the Alternative 3 estimated costs.

Agency costs related to the modification of agency-unique human resource systems to accommodate the impact of CSR/CB and the replacement of the HRISD human resource systems, are not included in this estimate.

Alternative 1 – Modify Existing Systems

Alternative 1 – Cost Benefit and Cash Flow Analysis (Form 1)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL															
TOTAL OUTFLOWS	902,197	9,856,579	9,691,614	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	20,594,390															
TOTAL INFLOWS	0	0	0	0	0	0	0	0	0	0	0	0															
NET CASH FLOW	(902,197)	(9,856,579)	(9,691,614)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)																
INCREMENTAL NPV	n/a	(9,623,450)	(17,760,716)	(17,774,974)	(17,788,424)	(17,801,113)	(17,813,084)	(17,824,378)	(17,835,032)	(17,845,083)	(17,854,565)																
Cumulative Costs	n/a	10,758,776	20,450,390	20,468,390	20,486,390	20,504,390	20,522,390	20,540,390	20,558,390	20,576,390	20,594,390																
Cumulative Benefits	n/a	0	0	0	0	0	0	0	0	0	0																
<table><tr><td rowspan="3">Cost of Capital</td><td colspan="3">Breakeven Period – Years</td><td rowspan="2">NPV \$</td><td rowspan="2">IRR %</td></tr><tr><td colspan="2">Non-Discounted</td><td>Discounted</td></tr><tr><td>6.00%</td><td colspan="2"></td><td></td><td>(17,854,565)</td><td></td></tr></table>													Cost of Capital	Breakeven Period – Years			NPV \$	IRR %	Non-Discounted		Discounted	6.00%				(17,854,565)	
Cost of Capital	Breakeven Period – Years			NPV \$	IRR %																						
	Non-Discounted		Discounted																								
	6.00%				(17,854,565)																						

Assumptions:

Costs – Project costs are “planning level” estimates.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2005) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$20.5 million.

Alternative 1 – Fiscal Costs, Project Development, (Form 2)

FISCAL COSTS, PROJECT DEVELOPMENT	Obj.	DEVELOPMENT PERIOD											GRAND TOTAL
		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY2012	FY2013	
Salaries	(A)	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	2,000	2,000	0	0	0	0	0	0	0	0	4,000
Communications	(EB)	0	23,940	19,440	0	0	0	0	0	0	0	0	43,380
Rentals & Leases	(ED)	0	105,000	105,000	0	0	0	0	0	0	0	0	210,000
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	0	0	0	0	0	0	0	0	0	0	0
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	420,000	420,000	0	0	0	0	0	0	0	0	840,000
Non Capitalized Assets	(EQ)	0	124,970	0	0	0	0	0	0	0	0	0	124,970
Other Contractual Services	(ER)	728,375	7,482,993	7,482,992	0	0	0	0	0	0	0	0	15,694,360
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	23,456	46,913	46,913	0	0	0	0	0	0	0	0	117,282
Hardware/Software Capitalized	(JC)	0	8,000	0	0	0	0	0	0	0	0	0	8,000
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (Contingency)		150,366	1,642,763	1,615,269	0	0	0	0	0	0	0	0	3,408,398
TOTAL DEVELOPMENT		902,197	9,856,579	9,691,614	0	0	0	0	0	0	0	0	20,450,390

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix G, VII. Estimated Costs, for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2005) displayed in this form, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$20.5 million.

Project Schedule – It is assumed the project will be phased as follows:

- Resource acquisition/design: 01/01/03-06/30/03.
- Modification/implementation: 07/01/03-06/30/05.

Salaries (A) and Benefits (B) – It is assumed that it will not be necessary to reassign functional personnel to this project. DOP has instructed that all technical project personnel are to be external resources. Therefore, no salaries and benefits for State personnel are estimated for this alternative.

Supplies & Materials (EA) – Estimated miscellaneous supplies at \$4,000 for the duration of the project.

Communications (EB) – Estimated costs of phone sets and phone services for project team members. Phone sets are priced at \$100/set, and phone service at \$36/month for a peak staffing of 45 people. Rates were provided by DOP facilities and equipment management staff.

Rentals & Leases (ED) – Estimated cost of office space for the project team for a peak staffing of 45 people. \$20/sq.ft./year for 5250 sq.ft. Rate and required square footage were provided by DOP facilities and equipment management staff.

Data Processing (EL) – Estimated cost of a T1 line (\$24,000) to extend the DOP network for project staff, and additional DIS charges for database/data storage and processing (\$816,000) required for development and testing work. Costs were estimated by DOP management based on actual charges for recent development projects.

Non Capitalized Assets (EQ) – Equipment costing \$5,000 or less per item are included in this category. This includes the estimated cost of desks and chairs (\$377/set) and PC's (\$2,000-\$5,000/desktop) for project staff, in addition to network equipment to extend the DOP network for project staff. Rates were provided by DOP facilities and equipment management staff.

Other Contractual Services (ER) – Estimated costs associated with external resources. External resources include technical consultants and external quality assurance. Hours were estimated using DOP's project estimating software, DOP staff experience, and consultant intellectual capital. Hourly rate estimates are based on current market rates.

Travel (G) – Estimated at 15% of external quality assurance costs included in the Other Contractual Service item. Percentage estimate is based on consultant intellectual capital.

Hardware/Software Capitalized (JC) – Estimated cost of a network router (\$8,000) to connect project staff to the DOP network. Cost was estimated by DOP management based on actual charges for recent development projects.

Other (Contingency) – Contingency for this alternative is calculated at 20% during the development period. Contingency is shown separate from other costs to facilitate risk management.

Alternative 1 – Summary, Operations Incremental Cost of Project (Form 3)

OPERATIONS INCREMENTAL COSTS OF PROJECT	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL
Salaries	(A)	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0	0
Rentals & Leases	(ED)	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	0	0	0	0	0	0	0	0	0	0	0
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	0	0	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	144,000
Non Capitalized Assets	(EQ)	0	0	0	0	0	0	0	0	0	0	0	0
Other Contractual Services	(ER)	0	0	0	0	0	0	0	0	0	0	0	0
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0	0
Hardware/Software Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (contingency)		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATIONS		0	0	0	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	144,000
TOTAL OUTFLOWS		902,197	9,856,579	9,691,614	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	20,594,390
CUMULATIVE COSTS			10,758,776	20,450,390	20,468,390	20,486,390	20,504,390	20,522,390	20,540,390	20,558,390	20,576,390	20,594,390	

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix G, VII. Estimated Costs, for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2005) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in this form. Total project costs to be funded are \$20.5 million.

Alternative 1 – Current versus Proposed Method Operations (Form 4)

OPERATIONS COSTS	Obj.	FY 2003			FY 2004			FY 2005			FY 2006			FY 2007		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,388,028	3,388,028	0	3,558,343	3,558,343	0	3,647,302	3,647,302	0	3,738,484	3,738,484	0	3,831,946	3,831,946	0
Benefits	(B)	677,606	677,606	0	797,069	797,069	0	816,996	816,996	0	807,513	807,513	0	827,700	827,700	0
Contracts	(C)	7,517	7,517	0	7,705	7,705	0	7,898	7,898	0	8,095	8,095	0	8,297	8,297	0
Supplies & Materials	(EA)	16,010	16,010	0	16,410	16,410	0	16,821	16,821	0	17,241	17,241	0	17,672	17,672	0
Communications	(EB)	99,737	99,737	0	102,230	102,230	0	104,786	104,786	0	128,406	128,406	0	153,216	153,216	0
Rentals & Leases	(ED)	266,914	266,914	0	273,587	273,587	0	280,427	280,427	0	362,132	362,132	0	448,121	448,121	0
Repairs & Maintenance	(EE)	23,232	23,232	0	23,813	23,813	0	24,408	24,408	0	35,718	35,718	0	47,633	47,633	0
Printing & Reproduction	(EF)	58,826	58,826	0	60,297	60,297	0	61,804	61,804	0	63,349	63,349	0	64,933	64,933	0
Training & Development	(EG)	35,152	35,152	0	36,031	36,031	0	36,932	36,932	0	37,855	37,855	0	38,801	38,801	0
Subscriptions	(EJ)	5,377	5,377	0	5,511	5,511	0	5,649	5,649	0	42,790	42,790	0	81,970	81,970	0
Facilities & Services	(EK)	38,942	38,942	0	39,916	39,916	0	40,913	40,913	0	41,936	41,936	0	42,985	42,985	0
Data Processing	(EL)	1,610,642	1,610,642	0	1,136,384	1,136,384	0	1,164,794	1,164,794	0	1,229,913	1,247,913	18,000	1,260,842	1,278,842	18,000
Non Capitalized Assets	(EQ)	24,003	24,003	0	24,603	24,603	0	25,218	25,218	0	25,849	25,849	0	26,495	26,495	0
Other Contractual Services	(ER)	519,926	519,926	0	532,924	532,924	0	546,247	546,247	0	559,903	559,903	0	573,901	573,901	0
Other Goods & Services	(EZ)	1,026	1,026	0	1,052	1,052	0	1,078	1,078	0	1,105	1,105	0	1,133	1,133	0
Travel	(G)	4,496	4,496	0	4,608	4,608	0	4,724	4,724	0	4,842	4,842	0	4,963	4,963	0
Hardware/Software Capitalized	(JC)	92,180	92,180	0	94,485	94,485	0	96,847	96,847	0	238,268	238,268	0	322,504	322,504	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		7,049,614	7,049,614	0	6,894,967	6,894,967	0	7,062,842	7,062,842	0	7,523,399	7,541,399	18,000	7,933,112	7,951,112	18,000
FTE's				63			66			66			66			66

Alternative 1 – Current versus Proposed Method Operations (Form 4) – Cont'd

OPERATIONS COSTS	Obj.	FY 2008			FY 2009			FY 2010			FY 2011			FY 2012		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,927,745	3,927,745	0	4,025,939	4,025,939	0	4,126,587	4,126,587	0	4,229,752	4,229,752	0	4,335,495	4,335,495	0
Benefits	(B)	848,393	848,393	0	869,603	869,603	0	891,343	891,343	0	913,626	913,626	0	936,467	936,467	0
Contracts	(C)	8,505	8,505	0	8,717	8,717	0	8,935	8,935	0	9,159	9,159	0	9,388	9,388	0
Supplies & Materials	(EA)	18,114	18,114	0	18,567	18,567	0	19,031	19,031	0	19,507	19,507	0	19,994	19,994	0
Communications	(EB)	179,046	179,046	0	206,123	206,123	0	234,476	234,476	0	264,137	264,137	0	295,140	295,140	0
Rentals & Leases	(ED)	538,569	538,569	0	633,654	633,654	0	733,565	733,565	0	838,496	838,496	0	948,648	948,648	0
Repairs & Maintenance	(EE)	60,175	60,175	0	73,365	73,365	0	87,229	87,229	0	101,788	101,788	0	117,069	117,069	0
Printing & Reproduction	(EF)	66,556	66,556	0	68,220	68,220	0	69,926	69,926	0	71,674	71,674	0	73,466	73,466	0
Training & Development	(EG)	39,771	39,771	0	40,766	40,766	0	41,785	41,785	0	42,829	42,829	0	43,900	43,900	0
Subscriptions	(EJ)	123,272	123,272	0	166,785	166,785	0	212,599	212,599	0	260,807	260,807	0	311,507	311,507	0
Facilities & Services	(EK)	44,059	44,059	0	45,161	45,161	0	46,290	46,290	0	47,447	47,447	0	48,633	48,633	0
Data Processing	(EL)	1,292,548	1,310,548	18,000	1,325,053	1,343,053	18,000	1,358,376	1,376,376	18,000	1,392,538	1,410,538	18,000	1,427,560	1,445,560	18,000
Non Capitalized Assets	(EQ)	27,157	27,157	0	27,836	27,836	0	28,532	28,532	0	29,245	29,245	0	29,976	29,976	0
Other Contractual Services	(ER)	588,249	588,249	0	602,955	602,955	0	618,029	618,029	0	633,479	633,479	0	649,316	649,316	0
Other Goods & Services	(EZ)	1,161	1,161	0	1,190	1,190	0	1,220	1,220	0	1,250	1,250	0	1,281	1,281	0
Travel	(G)	5,087	5,087	0	5,214	5,214	0	5,344	5,344	0	5,478	5,478	0	5,615	5,615	0
Hardware/Software Capitalized	(JC)	411,196	411,196	0	504,524	504,524	0	602,676	602,676	0	705,848	705,848	0	814,242	814,242	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		8,359,603	8,377,603	18,000	8,803,671	8,821,671	18,000	9,265,942	9,283,942	18,000	9,747,060	9,765,060	18,000	10,247,698	10,265,698	18,000
FTE's				66			66			66			66			66

Alternative 1 – Current versus Proposed Method Operations (Form 4) – Cont’d

OPERATIONS COSTS	Obj.	FY 2013		
		(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	4,443,883	4,443,883	0
Benefits	(B)	959,879	959,879	0
Contracts	(C)	9,622	9,622	0
Supplies & Materials	(EA)	20,494	20,494	0
Communications	(EB)	327,519	327,519	0
Rentals & Leases	(ED)	1,064,231	1,064,231	0
Repairs & Maintenance	(EE)	133,098	133,098	0
Printing & Reproduction	(EF)	75,302	75,302	0
Training & Development	(EG)	44,998	44,998	0
Subscriptions	(EJ)	364,800	364,800	0
Facilities & Services	(EK)	49,849	49,849	0
Data Processing	(EL)	1,463,464	1,481,464	18,000
Non Capitalized Assets	(EQ)	30,726	30,726	0
Other Contractual Services	(ER)	665,549	665,549	0
Other Goods & Services	(EZ)	1,313	1,313	0
Travel	(G)	5,755	5,755	0
Hardware/Software Capitalized	(JC)	928,069	928,069	0
Intra-agency Transfers	(T)	180,000	180,000	0
Other (Contingency)		0	0	0
TOTAL OPERATION COSTS		10,768,552	10,786,552	18,000
FTE's				66

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix G, VII. Estimated Costs, for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2005) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$20.5 million.

Overview of Current Operations Costs – Current operations costs were provided by HRISD. The baseline is HRISD’s projected actual expenditure level for FY2003 as of November 2002. To calculate projected operations costs through FY2013, HRISD increased line items by 2.5% per year from the 2003 base. Any exceptions are noted in the item explanations below.

Salaries (A) – The 2003 baseline includes 63 positions. Three positions were excluded from the 2003 salary baseline because they support internal administration functions, and should not be included in the costs for statewide systems’ support. Three analysts working on the Insurance Decommission Project were excluded from the 2003 salary baseline because they work on a project that is externally funded. These three positions are recouped in FY2004 upon completion of the decommissioning project.

Benefits (B) – Benefits are 20% of salaries. This rate is based on actual benefit payments for HRISD staff and may be different than the rate for other state staff. The benefit rate is increased 12% per year in FY’s 2004 and 2005, and 8% a year after that.

Contracts (C) – Contract costs cover maintenance of the copy machine.

Communications (EB) – \$21,000 is added in FY2006 as part of a three-year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

Rentals & Leases (ED) – \$74,695 is added in FY2006 as part of a three year equipment replacement cycle (desktops, disk storage), and 3% has been added to each remaining year as a result of the equipment replacement.

Repairs & Maintenance (EE) – \$10,700 is added in FY2006 as part of a three year equipment replacement cycle (server maintenance agreements, parts, printers, and other peripherals and associated maintenance), and 3% has been added to each remaining year as a result of the equipment replacement.

Subscriptions (EJ) – \$73,000 is added in FY2006 as part of a three year equipment replacement cycle (developer workstation software), and 3% has been added for each of the remaining years as a result of the equipment replacement.

Data Processing (EL) – \$514,524 is subtracted in FY2004 and all remaining years to reflect decreased charges due to the decommissioning of the HCA Insurance System. \$36,000 is added in FY2006 as part of a three year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

- Column (b) (Project): Starting in FY 2006, additional DIS charges will be required as a result of the project. This represents storage for additional data added to current HRISD databases by additional fields required to support CSR/CB. HRISD's technical architect estimates this cost at \$1500/month.

Other Contractual Services (ER) – Includes contracted personnel required to supplement HRISD staff. Calculated as 1/5 of the last 5 years excluding contracted personnel utilized for the Y2K project.

Hardware/Software Capitalized (JC) – \$139,000 is added in FY2006 as part of a three year equipment replacement cycle (network/communication equipment, software licenses for servers, and workstation software licenses), and 3% has been added for each of the remaining years as a result of the equipment replacement.

Intra-agency Transfers (T) – These costs have been held constant through all fiscal years. They represent inter-fund transfers between fund 419 (non-appropriated) and fund 415 (appropriated) to support DOP administration.

Alternative 1 – Benefits Cash Flow Analysis (Form 5)

TANGIBLE BENEFITS	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY 2013	TOTAL
Hard \$													
Revenues		0	0	0	0	0	0	0	0	0	0	0	0
Reimbursements		0	0	0	0	0	0	0	0	0	0	0	0
Cost Reduction		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
Soft \$													
Cost Avoidance		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INFLOWS		0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE BENEFITS			0	0	0	0	0	0	0	0	0	0	0

Assumptions:

As described earlier in this section, the State can be expected to receive tangible benefits as a result of this project. Because of data limitations, it was not possible to quantify the tangible benefits during the feasibility study. However, the State plans subsequent work to benchmark, analyze, and measure these benefits and associated cost savings.

Alternative 2 – Package Replacement

Alternative 2 – Cost Benefit and Cash Flow Analysis (Form 1)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL												
TOTAL OUTFLOWS	832,837	21,140,097	13,049,645	5,700,209	4,072,467	2,104,585	2,165,110	4,266,747	2,204,096	2,224,523	4,324,681	62,084,997												
TOTAL INFLOWS	0	0	0	0	0	0	0	0	0	0	0	0												
NET CASH FLOW	(832,837)	(21,140,097)	(13,049,645)	(5,700,209)	(4,072,467)	(2,104,585)	(2,165,110)	(4,266,747)	(2,204,096)	(2,224,523)	(4,324,681)													
INCREMENTAL NPV	n/a	(19,600,307)	(30,557,040)	(35,072,139)	(38,115,324)	(39,598,973)	(41,038,895)	(43,715,905)	(45,020,506)	(46,262,668)	(48,540,856)													
Cumulative Costs	n/a	21,972,934	35,022,579	40,722,788	44,795,255	46,899,840	49,064,950	53,331,697	55,535,793	57,760,316	62,084,997													
Cumulative Benefits	n/a	0	0	0	0	0	0	0	0	0	0													
<table><tr><td rowspan="2">Cost of Capital</td><td colspan="2">Breakeven Period – Years</td><td rowspan="2">NPV \$</td><td rowspan="2">IRR %</td></tr><tr><td>Non-Discounted</td><td>Discounted</td></tr><tr><td>6.00%</td><td></td><td></td><td>(48,540,856)</td><td></td></tr></table>													Cost of Capital	Breakeven Period – Years		NPV \$	IRR %	Non-Discounted	Discounted	6.00%			(48,540,856)	
Cost of Capital	Breakeven Period – Years		NPV \$	IRR %																				
	Non-Discounted	Discounted																						
6.00%			(48,540,856)																					

Assumptions:

Costs – Project costs are “planning level” estimates.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$40.7 million.

Alternative 2 – Fiscal Costs, Project Development (Form 2)

FISCAL COSTS, PROJECT DEVELOPMENT	Obj.	DEVELOPMENT PERIOD											GRAND TOTAL
		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY2012	FY2013	
Salaries	(A)	41,695	800,724	885,922	653,888	0	0	0	0	0	0	0	2,382,229
Benefits	(B)	12,505	240,151	265,703	196,112	0	0	0	0	0	0	0	714,471
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	2,200	2,700	2,100	0	0	0	0	0	0	0	7,000
Communications	(EB)	0	19,541	16,119	8,640	0	0	0	0	0	0	0	44,300
Rentals & Leases	(ED)	0	96,250	105,000	70,000	0	0	0	0	0	0	0	271,250
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	0	0	0	0	0	0	0	0	0	0	0
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	2,396,340	178,500	38,000	0	0	0	0	0	0	0	2,612,840
Non Capitalized Assets	(EQ)	0	118,971	0	0	0	0	0	0	0	0	0	118,971
Other Contractual Services	(ER)	556,375	6,418,363	6,850,012	2,252,950	0	0	0	0	0	0	0	16,077,700
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	83,456	796,434	839,582	303,383	0	0	0	0	0	0	0	2,022,855
Hardware/Software Capitalized	(JC)	0	5,008,000	0	0	0	0	0	0	0	0	0	5,008,000
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (Contingency)		138,806	3,179,395	1,828,708	288,663	0	0	0	0	0	0	0	5,435,571
TOTAL DEVELOPMENT		832,837	19,076,368	10,972,246	3,813,736	0	0	0	0	0	0	0	34,695,187

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix H, Estimated Costs (Chapters VII through IX), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) as displayed in this form, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$40.7 million.

Project Schedule – It is assumed the project will be phased as follows:

- Package/integrator selection: 2/01/03-6/30/03.
- Phase I: Base functionality implementation phase: 8/01/03-3/31/05.
- Phase II: Enhanced functionality for early adopter agencies: 3/1/05 – 8/31/05.
- Phase III: Deployment of enhanced functionality to additional agencies: 9/1/05 – 2/28/06.

Salaries (A) – Estimated costs for back-filling State functional resources assigned to the Personnel and Leave Systems Replacement project. Required State resources were estimated at 1.75 per integrator consultant at an estimated average annual salary provided by the DOP of \$50,000.

Benefits (B) – Benefits for back-fill personnel are estimated at 30% of salary as instructed by the DOP.

Supplies & Materials (EA) – Estimated cost of miscellaneous supplies at \$7,000 for the duration of the project.

Communications (EB) – Estimated costs of phone sets and phone services for project team members. Phone sets are priced at \$100/set, and phone service at \$36/month for a peak staffing of 38 people. Rates were provided by the DOP facilities and equipment management staff.

Rentals & Leases (ED) – Estimated cost of office space for the project team for a peak staffing of 45 people. \$20/sq.ft./year for 5250 sq.ft. Rate and required square footage were provided by the DOP facilities and equipment management staff.

Data Processing (EL) – Estimated cost of a T1 line (\$31,000) to extend the DOP network for project personnel and additional DIS charges (\$345,000) for mainframe data storage and processing required by the project for data migration and testing purposes. Costs were estimated by DOP management and staff based on historical charges for similar projects.

Also, includes the DIS charges in FY2004 for acquisition and installation of the technical infrastructure to support the EAS HRMS package. \$1.1 million for hardware, \$1.1 million for database/middleware software, and \$72,000 for training. These are high-level estimates provided by DIS based on the All UNIX platform option.

Non Capitalized Assets (EQ) – Equipment costing \$5,000 or less per item are included in this category. Included are the estimated costs of desks and chairs (\$377/set) and PC's (\$2,000-\$5,000/desktop) for project personnel, and network equipment to extend the DOP network to support project personnel. Rates were provided by the DOP facilities and equipment management staff.

Other Contractual Service (ER) – Estimated costs associated with external resources. External resources include integrator consultants, technical consultants, external quality assurance, and functional back-fill for State employees assigned to the projects.

Travel (G) – Estimated at 15% of integrator consultants and external quality assurance costs included in the Other Contractual Service item. Percentage estimate is based on consultant intellectual capital.

Hardware/Software Capitalized (JC) – Estimated cost of a network router (\$8,000) to connect project personnel to the DOP network. Cost was estimated by HRISD management based on actual charges for recent development projects. Also, includes the estimated cost of the EAS HRMS package (\$5,000,000) based on consultant intellectual capital.

Other (Contingency) – Contingency for this alternative is calculated at 20% of all development period costs except those associated with Phase III, for which contingency is estimated to be unnecessary. Contingency is shown separate from other costs to facilitate risk management.

Alternative 2 – Summary, Operations Incremental Cost of Project (Form 3)

OPERATIONS INCREMENTAL COSTS OF PROJECT	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL
Salaries	(A)	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0	0
Rentals & Leases	(ED)	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	10,000,000
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	1,063,729	1,077,399	886,473	2,072,467	1,104,585	1,165,110	2,266,747	1,204,096	1,224,523	2,324,681	14,389,810
Non Capitalized Assets	(EQ)	0	0	0	0	0	0	0	0	0	0	0	0
Other Contractual Services	(ER)	0	0	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	3,000,000
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0	0
Hardware/Software Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATIONS		0	2,063,729	2,077,399	1,886,473	4,072,467	2,104,585	2,165,110	4,266,747	2,204,096	2,224,523	4,324,681	27,389,810
TOTAL OUTFLOWS		832,837	21,140,097	13,049,645	5,700,209	4,072,467	2,104,585	2,165,110	4,266,747	2,204,096	2,224,523	4,324,681	62,084,997
CUMULATIVE COSTS			21,972,934	35,022,579	40,722,788	44,795,255	46,899,840	49,064,950	53,331,697	55,535,793	57,760,316	59,860,474	

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix H, Estimated Costs (Chapters VII through IX), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in this form. Total project costs to be funded are \$40.7 million.

Alternative 2 – Current versus Proposed Method Operations (Form 4)

OPERATIONS COSTS	Obj.	FY 2003			FY 2004			FY 2005			FY 2006			FY 2007		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,388,028	3,388,028	0	3,558,343	3,558,343	0	3,647,302	3,647,302	0	3,738,484	3,738,484	0	3,831,946	3,831,946	0
Benefits	(B)	677,606	677,606	0	797,069	797,069	0	816,996	816,996	0	807,513	807,513	0	827,700	827,700	0
Contracts	(C)	7,517	7,517	0	7,705	7,705	0	7,898	7,898	0	8,095	8,095	0	8,297	8,297	0
Supplies & Materials	(EA)	16,010	16,010	0	16,410	16,410	0	16,821	16,821	0	17,241	17,241	0	17,672	17,672	0
Communications	(EB)	99,737	99,737	0	102,230	102,230	0	104,786	104,786	0	128,406	128,406	0	153,216	153,216	0
Rentals & Leases	(ED)	266,914	266,914	0	273,587	273,587	0	280,427	280,427	0	362,132	362,132	0	448,121	448,121	0
Repairs & Maintenance	(EE)	23,232	23,232	0	23,813	23,813	0	24,408	24,408	0	35,718	35,718	0	47,633	47,633	0
Printing & Reproduction	(EF)	58,826	58,826	0	60,297	60,297	0	61,804	61,804	0	63,349	63,349	0	64,933	64,933	0
Training & Development	(EG)	35,152	35,152	0	36,031	36,031	0	36,932	36,932	0	37,855	37,855	0	38,801	38,801	0
Subscriptions	(EJ)	5,377	5,377	0	5,511	1,005,511	1,000,000	5,649	1,005,649	1,000,000	42,790	1,042,790	1,000,000	81,970	1,081,970	1,000,000
Facilities & Services	(EK)	38,942	38,942	0	39,916	39,916	0	40,913	40,913	0	41,936	41,936	0	42,985	42,985	0
Data Processing	(EL)	1,610,642	1,610,642	0	1,136,384	2,200,113	1,063,729	1,164,794	2,242,193	1,077,399	1,229,913	2,116,386	886,473	1,260,842	3,333,309	2,072,467
Non Capitalized Assets	(EQ)	24,003	24,003	0	24,603	24,603	0	25,218	25,218	0	25,849	25,849	0	26,495	26,495	0
Other Contractual Services	(ER)	519,926	519,926	0	532,924	532,924	0	546,247	546,247	0	559,903	559,903	0	573,901	1,573,901	1,000,000
Other Goods & Services	(EZ)	1,026	1,026	0	1,052	1,052	0	1,078	1,078	0	1,105	1,105	0	1,133	1,133	0
Travel	(G)	4,496	4,496	0	4,608	4,608	0	4,724	4,724	0	4,842	4,842	0	4,963	4,963	0
Hardware/Software Capitalized	(JC)	92,180	92,180	0	94,485	94,485	0	96,847	96,847	0	238,268	238,268	0	322,504	322,504	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		7,049,614	7,049,614	0	6,894,967	8,958,696	2,063,729	7,062,842	9,140,241	2,077,399	7,523,399	9,409,872	1,886,473	7,933,112	12,005,579	4,072,467
FTE's				63			66			66			66			66

Alternative 2 – Current versus Proposed Method Operations (Form 4) – Cont'd

OPERATIONS COSTS	Obj.	FY 2008			FY 2009			FY 2010			FY 2011			FY 2012		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,927,745	3,927,745	0	4,025,939	4,025,939	0	4,126,587	4,126,587	0	4,229,752	4,229,752	0	4,335,495	4,335,495	0
Benefits	(B)	848,393	848,393	0	869,603	869,603	0	891,343	891,343	0	913,626	913,626	0	936,467	936,467	0
Contracts	(C)	8,505	8,505	0	8,717	8,717	0	8,935	8,935	0	9,159	9,159	0	9,388	9,388	0
Supplies & Materials	(EA)	18,114	18,114	0	18,567	18,567	0	19,031	19,031	0	19,507	19,507	0	19,994	19,994	0
Communications	(EB)	179,046	179,046	0	206,123	206,123	0	234,476	234,476	0	264,137	264,137	0	295,140	295,140	0
Rentals & Leases	(ED)	538,569	538,569	0	633,654	633,654	0	733,565	733,565	0	838,496	838,496	0	948,648	948,648	0
Repairs & Maintenance	(EE)	60,175	60,175	0	73,365	73,365	0	87,229	87,229	0	101,788	101,788	0	117,069	117,069	0
Printing & Reproduction	(EF)	66,556	66,556	0	68,220	68,220	0	69,926	69,926	0	71,674	71,674	0	73,466	73,466	0
Training & Development	(EG)	39,771	39,771	0	40,766	40,766	0	41,785	41,785	0	42,829	42,829	0	43,900	43,900	0
Subscriptions	(EJ)	123,272	1,123,272	1,000,000	166,785	1,166,785	1,000,000	212,599	1,212,599	1,000,000	260,807	1,260,807	1,000,000	311,507	1,311,507	1,000,000
Facilities & Services	(EK)	44,059	44,059	0	45,161	45,161	0	46,290	46,290	0	47,447	47,447	0	48,633	48,633	0
Data Processing	(EL)	1,292,548	2,397,133	1,104,585	1,325,053	2,490,163	1,165,110	1,358,376	3,625,123	2,266,747	1,392,538	2,596,634	1,204,096	1,427,560	2,652,083	1,224,523
Non Capitalized Assets	(EQ)	27,157	27,157	0	27,836	27,836	0	28,532	28,532	0	29,245	29,245	0	29,976	29,976	0
Other Contractual Services	(ER)	588,249	588,249	0	602,955	602,955	0	618,029	1,618,029	1,000,000	633,479	633,479	0	649,316	649,316	0
Other Goods & Services	(EZ)	1,161	1,161	0	1,190	1,190	0	1,220	1,220	0	1,250	1,250	0	1,281	1,281	0
Travel	(G)	5,087	5,087	0	5,214	5,214	0	5,344	5,344	0	5,478	5,478	0	5,615	5,615	0
Hardware/Software Capitalized	(JC)	411,196	411,196	0	504,524	504,524	0	602,676	602,676	0	705,848	705,848	0	814,242	814,242	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		8,359,603	10,464,188	2,104,585	8,803,671	10,968,781	2,165,110	9,265,942	13,532,689	4,266,747	9,747,060	11,951,156	2,204,096	10,247,699	12,472,222	2,224,523
FTE's				66			66			66			66			66

Alternative 2 – Current versus Proposed Method Operations (Form 4) – Cont’d

OPERATIONS COSTS	Obj.	FY 2013		
		(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	4,443,883	4,443,883	0
Benefits	(B)	959,879	959,879	0
Contracts	(C)	9,622	9,622	0
Supplies & Materials	(EA)	20,494	20,494	0
Communications	(EB)	327,519	327,519	0
Rentals & Leases	(ED)	1,064,231	1,064,231	0
Repairs & Maintenance	(EE)	133,096	133,096	0
Printing & Reproduction	(EF)	75,302	75,302	0
Training & Development	(EG)	44,998	44,998	0
Subscriptions	(EJ)	364,800	1,364,800	1,000,000
Facilities & Services	(EK)	49,849	49,849	0
Data Processing	(EL)	1,463,464	3,788,145	2,324,681
Non Capitalized Assets	(EQ)	30,726	30,726	0
Other Contractual Services	(ER)	665,549	1,665,549	1,000,000
Other Goods & Services	(EZ)	1,313	1,313	0
Travel	(G)	5,755	5,755	0
Hardware/Software Capitalized	(JC)	928,069	928,069	0
Intra-agency Transfers	(T)	180,000	180,000	0
Other (Contingency)		0	0	0
TOTAL OPERATION COSTS		10,768,550	15,093,231	4,324,681
FTE's				66

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix H, Estimated Costs (Chapters VII through IX), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$40.7 million.

Overview of Current Operations Costs – Current operations costs were provided by HRISD. The baseline is HRISD’s projected actual expenditure level for FY2003 as of November 2002. To calculate projected operations costs through FY2013, HRISD increased line items by 2.5% per year from the 2003 base. Any exceptions are noted in the item explanations below.

Salaries (A) – The 2003 baseline includes 63 positions. Three positions were excluded from the 2003 salary baseline because they support internal administration functions, and should not be included in the costs for statewide systems’ support. Three analysts working on the Insurance Decommission Project were excluded from the 2003 salary baseline because they work on a project that is externally funded. These three positions are recouped in FY2004 upon completion of the decommissioning project.

Benefits (B) – Benefits are 20% of salaries. This rate is based on actual benefit payments for HRISD staff and may be different than the rate for other state staff. The benefit rate is increased 12% per year in FY’s 2004 and 2005, and 8% a year after that.

Contracts (C) – Contract costs cover maintenance of the copy machine.

Communications (EB) – \$21,000 is added in FY2006 as part of a three-year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

Rentals & Leases (ED) – \$74,695 is added in FY2006 as part of a three year equipment replacement cycle (desktops, disk storage), and 3% has been added to each remaining year as a result of the equipment replacement.

Repairs & Maintenance (EE) – \$10,700 is added in FY2006 as part of a three year equipment replacement cycle (server maintenance agreements, parts, printers, and other peripherals and associated maintenance), and 3% has been added to each remaining year as a result of the equipment replacement.

Subscriptions (EJ) – \$73,000 is added in FY2006 as part of a three year equipment replacement cycle (developer workstation software), and 3% has been added for each of the remaining years as a result of the equipment replacement.

- Column (b) Project: \$1,000,000 for EAS HRMS annual maintenance fees estimated at 20% of original package purchase price.

Data Processing (EL) – \$514,524 is subtracted in FY2004 and all remaining years to reflect decreased charges due to the decommissioning of the HCA Insurance System. \$36,000 is added in FY2006 as part of a three year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

- Column (b) Project: Starting in FY2004, includes the increase in DIS charges (averaging approximately \$2.5 million/year) for supporting the technical and operational infrastructure of the EAS HRMS package. The charges vary from year to year and are based on high-level estimates provided by DIS for the All UNIX platform option. The estimate assumes the technical infrastructure will be operated and maintained by DIS. As well, the estimate includes a three year equipment replacement cycle.
- Starting in FY2006, includes the decrease in DIS charges (averaging approximately \$440,000/year) resulting from reduced mainframe utilization

Other Contractual Services (ER) – Includes contracted personnel required to supplement HRISD staff. Calculated as 1/5 of the last 5 years excluding contracted personnel utilized for the Y2K project.

- Column (b) Project: Costs (\$1,000,000) of external consulting to assist the State to implement major EAS HRMS package upgrades. A major upgrade is estimated to occur every three years based on historical industry practices.

Hardware/Software Capitalized (JC) – \$139,000 is added in FY2006 as part of a three year equipment replacement cycle (network/communication equipment, software licenses for servers, and workstation software licenses), and 3% has been added for each of the remaining years as a result of the equipment replacement.

Intra-agency Transfers (T) – These costs have been held constant through all fiscal years. They represent inter-fund transfers between fund 419 (non-appropriated) and fund 415 (appropriated) to support DOP administration.

Alternative 2 – Benefits Cash Flow Analysis (Form 5)

TANGIBLE BENEFITS	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY 2013	TOTAL
Hard \$													
Revenues		0	0	0	0	0	0	0	0	0	0	0	0
Reimbursements		0	0	0	0	0	0	0	0	0	0	0	0
Cost Reduction		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
Soft \$													
Cost Avoidance		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INFLOWS		0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE BENEFITS			0	0	0	0	0	0	0	0	0	0	0

Assumptions:

As described earlier in this section, the State can be expected to receive tangible benefits as a result of this project. Because of data limitations, it was not possible to quantify the tangible benefits during the feasibility study. However, the State plans subsequent work to benchmark, analyze, and measure these benefits and associated cost savings.

Alternative 3 – Combination

Alternative 3 – Cost Benefit and Cash Flow Analysis (Form 1)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL												
TOTAL OUTFLOWS	1,176,038	22,316,534	15,193,029	4,012,739	3,656,321	1,940,310	2,002,754	3,856,356	2,045,720	2,078,213	3,920,488	62,198,502												
TOTAL INFLOWS	0	0	0	0	0	0	0	0	0	0	0	0												
NET CASH FLOW	(1,176,038)	(22,316,534)	(15,193,029)	(4,012,739)	(3,656,321)	(1,940,310)	(2,002,754)	(3,856,356)	(2,045,720)	(2,078,213)	(3,920,488)													
INCREMENTAL NPV	n/a	(20,971,105)	(33,727,466)	(36,905,931)	(39,638,147)	(41,005,989)	(42,337,934)	(44,757,460)	(45,968,318)	(47,128,782)	(49,194,046)													
Cumulative Costs	n/a	23,492,572	38,685,601	42,698,340	46,354,661	48,294,971	50,297,725	54,154,081	56,199,801	58,278,014	62,198,502													
Cumulative Benefits	n/a	0	0	0	0	0	0	0	0	0	0													
<table><tr><td rowspan="3">Cost of Capital</td><td colspan="2">Breakeven Period – Years</td><td rowspan="2">NPV \$</td><td rowspan="2">IRR %</td></tr><tr><td>Non-Discounted</td><td>Discounted</td></tr><tr><td>6.00%</td><td></td><td></td><td>(49,194,046)</td><td></td></tr></table>													Cost of Capital	Breakeven Period – Years		NPV \$	IRR %	Non-Discounted	Discounted	6.00%			(49,194,046)	
Cost of Capital	Breakeven Period – Years		NPV \$	IRR %																				
	Non-Discounted	Discounted																						
	6.00%			(49,194,046)																				

Assumptions:

Costs – Project costs are “planning level” estimates.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$42.7 million.

Alternative 3 – Fiscal Costs, Project Development (Form 2)

FISCAL COSTS, PROJECT DEVELOPMENT	Obj.	DEVELOPMENT PERIOD											GRAND TOTAL
		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY2012	FY2013	
Salaries	(A)	41,695	514,071	600,615	499,840	0	0	0	0	0	0	0	1,656,221
Benefits	(B)	12,505	154,179	180,135	149,910	0	0	0	0	0	0	0	496,729
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	2,100	2,350	1,800	0	0	0	0	0	0	0	6,250
Communications	(EB)	0	21,741	17,779	7,560	0	0	0	0	0	0	0	47,080
Rentals & Leases	(ED)	0	100,625	105,000	61,250	0	0	0	0	0	0	0	266,875
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	0	0	0	0	0	0	0	0	0	0	0
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	2,526,590	299,250	22,000	0	0	0	0	0	0	0	2,847,840
Non Capitalized Assets	(EQ)	0	121,970	0	0	0	0	0	0	0	0	0	121,970
Other Contractual Services	(ER)	842,376	9,213,761	9,262,140	1,220,886	0	0	0	0	0	0	0	20,539,162
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	83,456	672,634	653,599	148,573	0	0	0	0	0	0	0	1,558,262
Hardware/Software Capitalized	(JC)	0	3,758,000	0	0	0	0	0	0	0	0	0	3,758,000
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (Contingency)		196,006	3,417,134	2,224,174	179,344	0	0	0	0	0	0	0	6,016,658
TOTAL DEVELOPMENT		1,176,038	20,502,805	13,345,041	2,291,163	0	0	0	0	0	0	0	37,315,047

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix I, Estimated Costs (Chapters VII through X), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in this form, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$42.7 million.

Project Schedule – The project consists of two concurrent implementation projects. One project to modify the current Payroll System and the other to replace the current Personnel and Leave Systems with an EAS HRMS package. It is assumed the projects will be phased as follows:

- Payroll System modification
 - Resource acquisition/design: 01/01/03-06/30/03.
 - Modification/implementation: 07/01/03-06/30/05.
- Personnel and Leave System replacement
 - Package/integrator selection: 2/01/03-6/30/03.
 - Phase I: Base functionality implementation phase: 8/01/03-3/31/05.
 - Phase II: Enhanced functionality for early adopter agencies: 3/1/05 – 8/31/05.
 - Phase III: Deployment of enhanced functionality to additional agencies: 9/1/05 – 2/28/06.

Salaries (A) – Estimated costs for back-filling State functional resources assigned to the Personnel and Leave Systems Replacement project. Required State resources were estimated at 1.75 per integrator consultant at an estimated average annual salary provided by HRISD of \$50,000. State technical resources are included in this item for Phase III of the project.

Benefits (B) – Benefits for back-fill personnel are estimated at 30% of salary as instructed by the DOP.

Supplies and Materials (EA) – Estimated at 50% of Alternative 1 cost, plus 50% of Alternative 2 cost.

Communications (EB) – Estimated at 50% of Alternative 1 cost, plus 50% of Alternative 2 cost.

Rentals and Leases (ED) – Estimated at 50% of Alternative 1 cost, plus 50% of Alternative 2 cost.

Data Processing (EL) – Estimated cost of a T1 line (\$30,500) to extend the DOP network for project personnel and additional DIS charges for database/data storage and processing (\$580,500) required by the project for data migration and testing purposes. Costs were estimated by DOP management and staff based on historical charges for similar projects. Costs related to the technical infrastructure to support the EAS HRMS package have been estimated at 100% of the Alternative 2 technical infrastructure cost.

Non-Capitalized Assets (EQ) – Estimated at 50% of Alternative 1 cost, plus 50% of Alternative 2 cost.

Other Contractual Service (ER) – Estimated costs associated with external resources. External resources include integrator consultants, technical consultants, external quality assurance, and functional back-fill for State employees assigned to the projects.

Travel (G) – Estimated at 15% of integrator consultants and external quality assurance costs included in the Other Contractual Service item. Percentage estimate is based on consultant intellectual capital.

Hardware/Software Capitalized (JC) – Estimated cost of a network router (\$8,000) to connect project personnel to the DOP network. Cost was estimated by DOP management based on actual charges for recent development projects. Also, includes the estimated cost of the EAS HRMS package (personnel, leave and related functionalities only) at 75% of the full EAS HRMS package included in Alternative 2. Percentage estimate is based on consultant intellectual capital.

Other (Contingency) – Contingency for this alternative is calculated at 20% of all development period costs except those associated with Phase III of the Personnel and Leave System replacement project, for which contingency is estimated to be unnecessary. Contingency is shown separate from other costs to facilitate risk management.

Alternative 3 – Summary, Operations Incremental Cost of Project (Form 3)

OPERATIONS INCREMENTAL COSTS OF PROJECT	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	GRAND TOTAL
Salaries	(A)	0	0	0	0	0	0	0	0	0	0	0	0
Benefits	(B)	0	0	0	0	0	0	0	0	0	0	0	0
Contracts	(C)	0	0	0	0	0	0	0	0	0	0	0	0
Supplies & Materials	(EA)	0	0	0	0	0	0	0	0	0	0	0	0
Communications	(EB)	0	0	0	0	0	0	0	0	0	0	0	0
Rentals & Leases	(ED)	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & Maintenance	(EE)	0	0	0	0	0	0	0	0	0	0	0	0
Printing & Reproduction	(EF)	0	0	0	0	0	0	0	0	0	0	0	0
Training & Development	(EG)	0	0	0	0	0	0	0	0	0	0	0	0
Subscriptions	(EJ)	0	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	7,500,000
Facilities & Services	(EK)	0	0	0	0	0	0	0	0	0	0	0	0
Data Processing	(EL)	0	1,063,729	1,097,988	971,576	2,156,321	1,190,310	1,252,754	2,356,754	1,295,720	1,328,213	2,420,488	15,133,455
Non Capitalized Assets	(EQ)	0	0	0	0	0	0	0	0	0	0	0	0
Other Contractual Services	(ER)	0	0	0	0	750,000	0	0	750,000	0	0	750,000	2,250,000
Other Goods & Services	(EZ)	0	0	0	0	0	0	0	0	0	0	0	0
Travel	(G)	0	0	0	0	0	0	0	0	0	0	0	0
Hardware/Software Capitalized	(JC)	0	0	0	0	0	0	0	0	0	0	0	0
Intra-agency Transfers	(T)	0	0	0	0	0	0	0	0	0	0	0	0
Other (contingency)		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATIONS		0	1,813,729	1,847,988	1,721,576	3,656,321	1,940,310	2,002,754	3,856,356	2,045,720	2,078,213	3,920,488	24,883,455
TOTAL OUTFLOWS		1,176,038	22,316,534	15,193,029	4,012,739	3,656,321	1,940,310	2,002,754	3,856,356	2,045,720	2,078,213	3,920,488	62,198,502
CUMULATIVE COSTS			23,492,572	38,685,601	42,698,340	46,354,661	48,294,971	50,297,725	54,154,081	56,199,801	58,278,014	62,198,502	

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix I, Estimated Costs (Chapters VII through X), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in this form. Total project costs to be funded are \$42.7 million.

Alternative 3 – Current versus Proposed Method Operations (Form 4)

OPERATIONS COSTS	Obj.	FY 2003			FY 2004			FY 2005			FY 2006			FY 2007		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,388,028	3,388,028	0	3,558,343	3,558,343	0	3,647,302	3,647,302	0	3,738,484	3,738,484	0	3,831,946	3,831,946	0
Benefits	(B)	677,606	677,606	0	797,069	797,069	0	816,996	816,996	0	807,513	807,513	0	827,700	827,700	0
Contracts	(C)	7,517	7,517	0	7,705	7,705	0	7,898	7,898	0	8,095	8,095	0	8,297	8,297	0
Supplies & Materials	(EA)	16,010	16,010	0	16,410	16,410	0	16,821	16,821	0	17,241	17,241	0	17,672	17,672	0
Communications	(EB)	99,737	99,737	0	102,230	102,230	0	104,786	104,786	0	128,406	128,406	0	153,216	153,216	0
Rentals & Leases	(ED)	266,914	266,914	0	273,587	273,587	0	280,427	280,427	0	362,132	362,132	0	448,121	448,121	0
Repairs & Maintenance	(EE)	23,232	23,232	0	23,813	23,813	0	24,408	24,408	0	35,718	35,718	0	47,633	47,633	0
Printing & Reproduction	(EF)	58,826	58,826	0	60,297	60,297	0	61,804	61,804	0	63,349	63,349	0	64,933	64,933	0
Training & Development	(EG)	35,152	35,152	0	36,031	36,031	0	36,932	36,932	0	37,855	37,855	0	38,801	38,801	0
Subscriptions	(EJ)	5,377	5,377	0	5,511	755,511	750,000	5,649	755,649	750,000	42,790	792,790	750,000	81,970	831,970	750,000
Facilities & Services	(EK)	38,942	38,942	0	39,916	39,916	0	40,913	40,913	0	41,936	41,936	0	42,985	42,985	0
Data Processing	(EL)	1,610,642	1,610,642	0	1,136,384	2,200,113	1,063,729	1,164,794	2,262,782	1,097,988	1,229,914	2,201,490	971,576	1,260,842	3,417,163	2,156,321
Non Capitalized Assets	(EQ)	24,003	24,003	0	24,603	24,603	0	25,218	25,218	0	25,849	25,849	0	26,495	26,495	0
Other Contractual Services	(ER)	519,926	519,926	0	532,924	532,924	0	546,247	546,247	0	559,903	559,903	0	573,901	1,323,901	750,000
Other Goods & Services	(EZ)	1,026	1,026	0	1,052	1,052	0	1,078	1,078	0	1,105	1,105	0	1,133	1,133	0
Travel	(G)	4,496	4,496	0	4,608	4,608	0	4,724	4,724	0	4,842	4,842	0	4,963	4,963	0
Hardware/Software Capitalized	(JC)	92,180	92,180	0	94,485	94,485	0	96,847	96,847	0	238,268	238,268	0	322,504	322,504	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		7,049,614	7,049,614	0	6,894,967	8,708,696	1,813,729	7,062,842	8,910,830	1,847,988	7,523,400	9,244,976	1,721,576	7,933,112	11,589,433	3,656,321
FTE's				63			66			66			66			66

Alternative 3 – Current versus Proposed Method Operations (Form 4) – Cont'd

OPERATIONS COSTS	Obj.	FY 2008			FY 2009			FY 2010			FY 2011			FY 2012		
		(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment	(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	3,927,745	3,927,745	0	4,025,939	4,025,939	0	4,126,587	4,126,587	0	4,229,752	4,229,752	0	4,335,495	4,335,495	0
Benefits	(B)	848,393	848,393	0	869,603	869,603	0	891,343	891,343	0	913,626	913,626	0	936,467	936,467	0
Contracts	(C)	8,505	8,505	0	8,717	8,717	0	8,935	8,935	0	9,159	9,159	0	9,388	9,388	0
Supplies & Materials	(EA)	18,114	18,114	0	18,567	18,567	0	19,031	19,031	0	19,507	19,507	0	19,994	19,994	0
Communications	(EB)	179,046	179,046	0	206,123	206,123	0	234,476	234,476	0	264,137	264,137	0	295,140	295,140	0
Rentals & Leases	(ED)	538,569	538,569	0	633,654	633,654	0	733,565	733,565	0	838,496	838,496	0	948,648	948,648	0
Repairs & Maintenance	(EE)	60,175	60,175	0	73,365	73,365	0	87,229	87,229	0	101,788	101,788	0	117,069	117,069	0
Printing & Reproduction	(EF)	66,556	66,556	0	68,220	68,220	0	69,926	69,926	0	71,674	71,674	0	73,466	73,466	0
Training & Development	(EG)	39,771	39,771	0	40,766	40,766	0	41,785	41,785	0	42,829	42,829	0	43,900	43,900	0
Subscriptions	(EJ)	123,272	873,272	750,000	166,785	916,785	750,000	212,599	962,599	750,000	260,807	1,010,807	750,000	311,507	1,061,507	750,000
Facilities & Services	(EK)	44,059	44,059	0	45,161	45,161	0	46,290	46,290	0	47,447	47,447	0	48,633	48,633	0
Data Processing	(EL)	1,292,548	2,482,858	1,190,310	1,325,053	2,577,807	1,252,754	1,358,376	3,714,732	2,356,356	1,392,538	2,688,258	1,295,720	1,427,560	2,755,773	1,328,213
Non Capitalized Assets	(EQ)	27,157	27,157	0	27,836	27,836	0	28,532	28,532	0	29,245	29,245	0	29,976	29,976	0
Other Contractual Services	(ER)	588,249	588,249	0	602,955	602,955	0	618,029	1,368,029	750,000	633,479	633,479	0	649,316	649,316	0
Other Goods & Services	(EZ)	1,161	1,161	0	1,190	1,190	0	1,220	1,220	0	1,250	1,250	0	1,281	1,281	0
Travel	(G)	5,087	5,087	0	5,214	5,214	0	5,344	5,344	0	5,478	5,478	0	5,615	5,615	0
Hardware/Software Capitalized	(JC)	411,196	411,196	0	504,524	504,524	0	602,676	602,676	0	705,848	705,848	0	814,242	814,242	0
Intra-agency Transfers	(T)	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0	180,000	180,000	0
Other (Contingency)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATION COSTS		8,359,603	10,299,913	1,940,310	8,803,671	10,806,425	2,002,754	9,265,942	13,122,298	3,856,356	9,747,060	11,792,780	2,045,720	10,247,698	12,325,911	2,078,213
FTE's				66			66			66			66			66

Alternative 3 – Current versus Proposed Method Operations (Form 4) – Cont'd

OPERATIONS COSTS	Obj.	FY 2013		
		(a) Current	(b) Project	(c)=(b)-(a) Increment
Salaries	(A)	4,443,883	4,443,883	0
Benefits	(B)	959,879	959,879	0
Contracts	(C)	9,622	9,622	0
Supplies & Materials	(EA)	20,494	20,494	0
Communications	(EB)	327,519	327,519	0
Rentals & Leases	(ED)	1,064,231	1,064,231	0
Repairs & Maintenance	(EE)	133,096	133,096	0
Printing & Reproduction	(EF)	75,302	75,302	0
Training & Development	(EG)	44,998	44,998	0
Subscriptions	(EJ)	364,800	1,114,800	750,000
Facilities & Services	(EK)	49,849	49,849	0
Data Processing	(EL)	1,463,464	3,883,952	2,420,488
Non Capitalized Assets	(EQ)	30,726	30,726	0
Other Contractual Services	(ER)	665,549	1,415,549	750,000
Other Goods & Services	(EZ)	1,313	1,313	0
Travel	(G)	5,755	5,755	0
Hardware/Software Capitalized	(JC)	928,069	928,069	0
Intra-agency Transfers	(T)	180,000	180,000	0
Other (Contingency)		0	0	0
TOTAL OPERATION COSTS		10,768,550	14,689,038	3,920,488
FTE's				66

Assumptions:

Costs – Project costs are “planning level” estimates. See Appendix I, Estimated Costs (Chapters VII through X), for additional cost detail.

Costs to be Funded – The project costs to be funded consist of the project development costs for the development period (FY2003-2006) displayed in Form 2, combined with the operations incremental costs, if any, for the same period displayed in Form 3. Total project costs to be funded are \$42.7 million.

Overview of Current Operations Costs – Current operations costs were provided by HRISD. The baseline is HRISD’s projected actual expenditure level for FY2003 as of November 2002. To calculate projected operations costs through FY2013, HRISD increased line items by 2.5% per year from the 2003 base. Any exceptions are noted in the item explanations below.

Salaries (A) – The 2003 baseline includes 63 positions. Three positions were excluded from the 2003 salary baseline because they support internal administration functions, and should not be included in the costs for statewide systems’ support. Three analysts working on the Insurance Decommission Project were excluded from the 2003 salary baseline because they work on a project that is externally funded. These three positions are recouped in FY2004 upon completion of the decommissioning project.

Benefits (B) – Benefits are 20% of salaries. This rate is based on actual benefit payments for HRISD staff and may be different than the rate for other state staff. The benefit rate is increased 12% per year in FY’s 2004 and 2005, and 8% a year after that.

Contracts (C) – Contract costs cover maintenance of the copy machine.

Communications (EB) – \$21,000 is added in FY2006 as part of a three-year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

Rentals & Leases (ED) – \$74,695 is added in FY2006 as part of a three year equipment replacement cycle (desktops, disk storage), and 3% has been added to each remaining year as a result of the equipment replacement.

Repairs & Maintenance (EE) – \$10,700 is added in FY2006 as part of a three year equipment replacement cycle (server maintenance agreements, parts, printers, and other peripherals and associated maintenance), and 3% has been added to each remaining year as a result of the equipment replacement.

Subscriptions (EJ) – \$73,000 is added in FY2006 as part of a three year equipment replacement cycle (developer workstation software), and 3% has been added for each of the remaining years as a result of the equipment replacement.

- Column (b) Project: \$750,000 for EAS HRMS annual maintenance fees estimated at 75% of Alternative 2 estimate for the same item.

Data Processing (EL) – \$514,524 is subtracted in FY2004 and all remaining years to reflect decreased charges due to the decommissioning of the HCA Insurance System. \$36,000 is added in FY2006 as part of a three year equipment replacement cycle, and 3% has been added to each remaining year as a result of the equipment replacement.

- Column (b) Project: Starting in FY2004, includes the increase in DIS charges (averaging approximately \$2.5 million/year) for supporting the technical and operational infrastructure of the EAS HRMS package. The charges vary from year to year and are based on high-level estimates provided by DIS for the All UNIX platform option. The estimate assumes the technical infrastructure will be operated and maintained by DIS. As well, the estimate includes a three year equipment replacement cycle.
- Starting in FY2006, includes the decrease in DIS charges (averaging approximately \$350,000/year) resulting from reduced mainframe utilization due to the implementation of Phase I of the Personnel and Leave System Replacement project.
- Starting in FY2006, additional DIS charges will be required as a result of the Payroll System Modification project. This represents storage for additional data added to current DOP databases by additional fields required to support CSR/CB. DOP's technical architect estimates this cost at \$1500/month.

Other Contractual Services (ER) – Includes contracted personnel required to supplement DOP technical staff. Calculated as 1/5 of the last 5 years excluding contracted personnel utilized for the Y2K project.

- Column (b) Project: Costs (\$750,000) of external consulting to assist the State to implement major EAS HRMS package upgrades. A major upgrade is estimated to occur every three years based on historical industry practices. This cost is estimated at 75% of the Alternative 2 cost for the same item.

Hardware/Software Capitalized (JC) – \$139,000 is added in FY2006 as part of a three year equipment replacement cycle (network/communication equipment, software licenses for servers, and workstation software licenses), and 3% has been added for each of the remaining years as a result of the equipment replacement.

Intra-agency Transfers (T) – These costs have been held constant through all fiscal years. They represent inter-fund transfers between fund 419 (non-appropriated) and fund 415 (appropriated) to support DOP administration.

Alternative 3 – Current versus Proposed Method Operations (Form 5)

TANGIBLE BENEFITS	Obj.	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY 2013	TOTAL
Hard \$													
Revenues		0	0	0	0	0	0	0	0	0	0	0	0
Reimbursements		0	0	0	0	0	0	0	0	0	0	0	0
Cost Reduction		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
Soft \$													
Cost Avoidance		0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INFLOWS		0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE BENEFITS			0	0	0	0	0	0	0	0	0	0	0

Assumptions:

As described earlier in this section, the State can be expected to receive tangible benefits as a result of this project. Because of data limitations, it was not possible to quantify the tangible benefits during the feasibility study. However, the State plans subsequent work to benchmark, analyze, and measure these benefits and associated cost savings.

X. Financing Strategy



A. Overview

The State's challenging fiscal situation has made it necessary to identify alternative methods for financing this project. This section presents the alternatives and a recommended financing plan.

B. Proposed Strategy

Working with the OFM, the Office of the State Treasurer, and the Department of Information Services (DIS), the feasibility study team has developed a proposal to fund the project with a combination of existing funds and borrowed funds.

1. Existing Funds

Early in FY 2003, DIS will provide a rebate to their customers of approximately \$10,000,000. This rebate is necessitated due to a buildup of excess working capital.

It is proposed that DOP implement a corresponding surcharge on their rate that would recapture these funds for use on the HR/Payroll System replacement. The full \$10,000,000 will not be recaptured since some of the DIS customers receiving a rebate are not customers of DOP.

2. Borrowed Funds

The balance of project funds would come from the State issuing a financing instrument called a Certificate of Participation (COP). A COP is defined as a lease of financed assets that provides collateral to an investor. These securities represent ownership interests, or participations in the future stream of lease payments.¹ The current interest rates for COPs are very attractive.

COPs have been used in Washington for over 10 years, but primarily for real estate or equipment purposes. In recent years, they also have been used for software projects. The typical COP for such a project can be used 2/3 for equipment and 1/3 for "setup" costs (the latter would include software and consultant services). In this project, equipment would be less than 10% of the total project costs, and setup over 90%. In addition, the term of a COP is generally up to five years, but in this project the term being sought is at least 10 years, based on the expected life of the system. Because of these variations from the norm, the Treasurer has been working with the State

¹ Office of the State Treasurer, Lease Purchase Program Guide, page 1-1.

financial advisors and others on this financing. However, there is clear precedent for the financial community's acceptance of using COPs for projects such as this. This past year the State of Arizona obtained COP financing for all of its \$35 million payroll/personnel system replacement project. Arizona also used some innovative techniques such as cross-collateralizing the project using a state building as security.

The proposed Washington State COP would be repaid through an increase in the rates charged by DOP to agencies for its systems. By doing so, the cost of the system will spread over a number of years and be borne equitably by a variety of federal and dedicated fund sources as well as the general fund.

C. Other Alternatives

Two other alternatives were examined for financing the project: issuing general obligation bonds and vendor financing. These alternatives could be considered as fallback strategies if there is a problem with the proposed COP strategy.

1. Bonds

The State could issue bonds to cover the financing. These would be included in the capital budget. The advantages of this financing include a favorable interest rate and the ability to spread the cost over a long period—up to 25 years. The significant disadvantage of bonds is that this financing would be counted within the State's debt limit and be competing with other capital projects such as new buildings. Consequently, it would be more difficult to secure financing using bonds than COPs.

2. Vendor Financing

It also would be possible to obtain financing through vendors. The vendors would most likely be the software integrators assisting with implementation of the EAS HRMS application. It also is possible to have a vendor who is not involved in the project provide the financing. The benefit of this approach is it is a ready source of financing that is extensively used elsewhere. The drawbacks are that the finance charges could be higher than other alternatives, the financing is short-term (not more than five years), and this type of financing may be considered as coming under the State's debt limit and therefore competing with other State capital projects.

D. Recommendation

Because of the limitations of bonds and vendor financing, the COP financing method is the most desirable. If for any reason COPs are not viable, the state can resort to either of the other methods to finance the project. In that case, bonds would be the most attractive, having longer term and likely lower interest charges. Vendor financing would be considered as a final alternative.

XI. Risk Management



A. Overview

This section identifies the risk management plan for this project. It is critical to the successful implementation of the proposed solution that potential risks be identified and communicated, and a risk management strategy be developed and implemented along with appropriate quality assurance and project oversight. This section addresses:

- Why projects succeed.
- Why projects fail.
- Risks and risk management strategies.

Exhibit XI-1 which follows compares elements of a successful project with elements of an unsuccessful project (risks), and summarizes the risk management strategies proposed for this project.

This section of the report elaborates on each element of this exhibit.

Exhibit XI-1: Managing Risks for a Successful Project

Managing Risks for a Successful Project		
Elements of a Successful Project	Elements of an Unsuccessful Project (Risks)	Risk Management for This Project
Strong Executive Sponsorship	<ul style="list-style-type: none"> ▪ Lack of project support, focus, discipline and resources 	<ul style="list-style-type: none"> ▪ Strong support from the Governor ▪ DOP Director as Executive Sponsor ▪ Support by OFM & DIS Directors
Strong Governance Structure	<ul style="list-style-type: none"> ▪ Decisions not made ▪ Policy issues not resolved in a timely manner ▪ Lack of stakeholder buy in 	<ul style="list-style-type: none"> ▪ ISB/DIS oversight ▪ Governor and Executive sponsorship ▪ Policy Committee ▪ Operational Committee ▪ Stakeholder communications
Effective Project Management	<ul style="list-style-type: none"> ▪ Lack of understanding of project success factors ▪ Inability to handle political/organizational issues ▪ Inability to handle technical issues 	<ul style="list-style-type: none"> ▪ Experienced program manager ▪ Experienced project manager with systems integrator ▪ Experienced state project director and manager ▪ Program management office ▪ Project management office
Change Management	<ul style="list-style-type: none"> ▪ Lack of understanding of the impact of change ▪ Unrealistic expectations ▪ Fear and opposition 	<ul style="list-style-type: none"> ▪ Governor and Executive sponsorship ▪ Policy Committee ▪ Operational Committee ▪ Agency representation on project team ▪ Organizational Change Management Program
Technical Expertise	<ul style="list-style-type: none"> ▪ Lack of successful experience with EAS implementation ▪ Lack of successful experience in all aspects of EAS implementation: Payroll/personnel functions, change management, technical systems issues 	<ul style="list-style-type: none"> ▪ Experienced, successful systems integrator
Achievable Scope, Schedule, Budget	<ul style="list-style-type: none"> ▪ Scope too large ▪ No allowance for unexpected events ▪ Lack of adequate funding and project continuity 	<ul style="list-style-type: none"> ▪ Phasing of project ▪ Fixed-priced, deliverable-based contract with systems integrator ▪ Strong integrator project management and state project management ▪ Schedule and budget contingency ▪ Benchmarking with successful projects
Proven Technology	<ul style="list-style-type: none"> ▪ Use of unproven software ▪ Extensive modifications to complex systems 	<ul style="list-style-type: none"> ▪ Use of commercially available software with a track record
Quality Assurance	<ul style="list-style-type: none"> ▪ Undetected risk issues ▪ Only one perspective on project solutions 	<ul style="list-style-type: none"> ▪ Independent quality assurance

1. Why Projects Succeed

The successful completion of a project involves an extensive effort; one which requires carefully planned coordination of many diverse activities. The following success factors must be in place to ensure completion of any IT project on time, within budget, and on target with regard to scope.

a. Strong Sponsorship

EAS HRMS projects are expensive, long-term efforts that require the cooperation of many individuals inside and outside an agency. To be successful, these projects must have commitment from top management and this support must be evident throughout the organization. Management must marshal the required resources for the project, strongly articulate its benefits within the organization and to external organizations and activities, and work to resolve conflicts that threaten project success.

b. Strong Governance Structures

There must be a governance structure in place which provides for broad-based and efficient decision-making, and which guarantees ownership of the project's activities and technical solutions across the agencies and organizations affected. Such a governance structure includes policy-level and operational steering committees, a project management office, and strong state management and oversight of the project.

c. Effective Program and Project Management

A strong, common-sense-oriented program and/or project manager is an essential ingredient to project success. This individual must have technical knowledge and leadership abilities. Equally important, the manager must exercise sound business judgment concerning such issues as project scope, political and organizational dynamics, and technology. Once a manager is selected, that person must receive top management support and be held accountable for project results.

d. Change Management

A change management program must be developed that aligns the project vision, capitalizes on executive sponsorship, assesses organizational readiness, includes extensive communications, involves change agents, manages the transition, and includes performance-based training.

Involvement of users is important to ensure that the process meets their business requirements, reflects their priorities, and maintains their commitment. However, it must be carefully structured to provide meaningful results.

e. Technical Expertise

The project team must have broad and in-depth experience and knowledge of the applications and technologies to be implemented. Expertise with the State's technical environment, in which the proposed system will operate, will also be critical.

f. Achievable Scope, Schedule and Budget

Definition of what is to be done by whom, and when, with constant monitoring of the process and follow-through are essential. The project work plan is the key element for estimating project budgets and schedules and for monitoring project status. Work plans must provide the ability to manage all functions critical to project success. They need to include realistic estimates of budgets, schedules, and accomplishments based upon experience, and provide for phased deliverables in workable steps. Estimates made early in the project should be recognized as being imprecise and subject to change in later design steps as more is known about the details of the project. Work plans should break large projects into phases for incremental implementation. There should be budget and schedule contingency under the control of the project executive sponsor to handle unexpected occurrences that are inherent in system projects. Management should monitor budget, schedule, and accomplishment status vigorously in order to take corrective action as necessary to keep the project on track.

g. Proven Technology

The technical solution chosen must have a successful track record with public sector organizations of a similar size and complexity. Commercially available software, with robust vendor support and a significant user community, is typically preferable to custom-built solutions, which rely on unique and specialized designs and the expertise of a limited number of internal resources for maintenance.

h. Quality Assurance

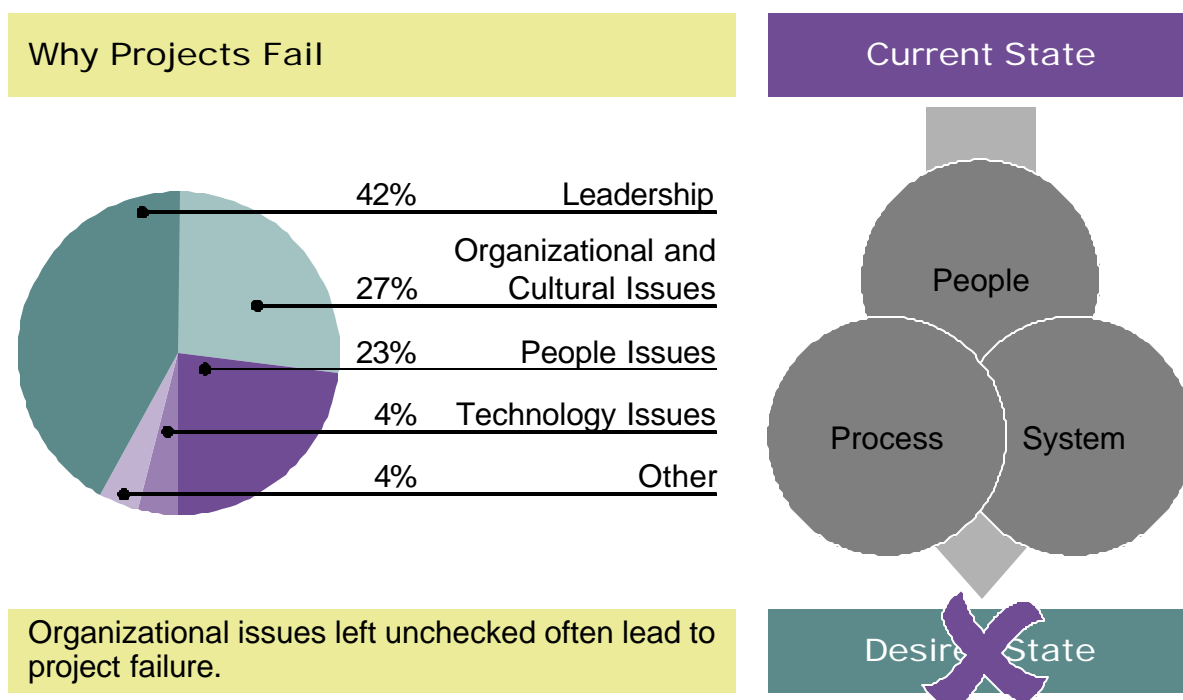
Quality assurance includes both internal and independent program oversight to the Executive Sponsor(s). This provides valid, unbiased information about the program's true status, performance trends, and forecast for completion. It provides the project a specific and much needed focus on the quality of both project processes and deliverables. It allows the project to identify serious problems in time to avoid or recover lost time or costs. Independent project oversight, operating in a proactive, problem avoidance manner, can help catch

early warning signs of project trouble while there is still a high likelihood of finding a successful remedy.

2. Why Projects Fail

This feasibility study also reflects solutions that will avoid the problems of other projects. As indicated previously in the document, the primary reasons projects fail are leadership, organizational, and people issues. This is illustrated graphically in Exhibit XI-2.

Exhibit XI-2: Why Projects Fail²



There have been a number of well-documented unsuccessful systems projects. One recent project was the King County Financial System Replacement Project.

Members of the feasibility study team reviewed that project and helped King County develop a turnaround strategy to have it move forward. This case study illustrates why the project was not successful.

Some of the key problems identified include a:

- **Lack of senior executive sponsorship** – The executive sponsor for the project was at too low a level in the project; executives did not have a clear idea what they would be getting from the new system.

² Organization Dynamics, Jim Markowsky

- **Weak governance** – There was a steering committee for the project, but it met infrequently, was not up to date on project status, and did not resolve policy issues necessary for system implementation. Line departments were not involved on the steering committee and some ended up opposing the project before the County Council.
- **Inconsistent project management** – There was not a dedicated project manager for the project and, consequently, issues fell through the cracks. The payroll, personnel portion of the project was managed by county staff who did not have sufficient expertise.
- **Poor change management** – Users of the systems were involved inconsistently throughout the project, a change management plan existed but was never implemented, and county staff struggled with the system.
- **Insufficient technical expertise** – The payroll/personnel system team did not have experience in the organizational and change management aspects of the project as well as the technical aspects.
- **Too large of a scope** – The county attempted to implement new financial systems and payroll/personnel systems concurrently in one large phase. The extent of the change was too large for the county to manage.
- **Unproven technology** – The financial system package selected was designed for a private sector environment and had to be modified for King County to include fundamental features such as fund accounting.
- **Insufficient Quality Assurance** – There was a quality assurance consultant on the project, but that consultant did not ensure that risk issues were raised with senior management and was not held accountable for project success by King County management.

3. Risk Management Strategies

The following specific risks and risk management strategies have been identified for this project.

a. Lack of Project Support, Focus, Discipline, and Resources

This will be one of the most significant information systems efforts undertaken within state government in recent years. In addition, this project will replace one of the State's core-mission critical systems and affect all branches of State government. Without sponsorship of this project at the highest levels of State government, it will be very difficult to maintain focus on its critical goals throughout all agencies. Without a disciplined approach to project coordination, interagency collaboration, and department-level organizational planning, uncoordinated, unplanned and conflicting activity can be expected. Finally, high-level commitment to ensure adequate human and financial resources for the project is essential to its successful

implementation. Failure to meet legislative mandates may result in disputes that will be both politically damaging and costly for all of the stakeholders.

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

This project will have the strong support of the Governor, the DOP Director, and support from OFM and DIS Directors. A project governance structure which includes broad representation by affected agencies along with strong executive-level sponsorship and project leadership has been included in the Project Management and Organization chapter of this Feasibility Study. As indicated by the Severity and Risk Matrices, this project should receive the highest level of participation and oversight by the ISB, and DIS Management of Strategic Technologies Division, and will include both internal and external oversight.

It is also recommended that the governance structure for this project link into a governance structure for the personnel system reform program as a whole. This program-level structure would include a Program Management Office, and would coordinate the several interdependent efforts under way to implement the provisions of the Personnel System Reform Act.

b. Policy Issues Not Resolved

An especially important area of decision-making for the project is the policy area. Policy issues will arise both at the program planning and implementation level, and at the project level. Failure to resolve these issues in a timely fashion will result in the inability to complete the implementation of affected system functions, and rework, and cause cost overruns and schedule slippage.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The Policy Committee will develop a structure and process for decision-making which is tied to the project's governance structure. This process includes assignment of policy issues to the Policy Committee, issue coordination by a Project Management Office, and issue escalation using the project's steering committees.

c. Lack of Stakeholder Buy-In

Stakeholders for this project include human resources departments within DOP's customer agencies, statewide administrative functions within key central services agencies (for example, OFM, GA, Office of the State Treasurer, DIS), legislators,

legislative staff, and unions. If any of these groups is not substantively involved and committed to the project, this could seriously jeopardize a successful outcome.

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

The recommended project governance structure includes significant stakeholder participation at the level of the Policy and Operational Steering Committees for key agencies and their executives. It also includes a high level of participation and oversight by the DIS and the ISB. The proposed implementation plan includes communication of the overall mission and vision of the project to executives, managers, and staff throughout the State government.

d. Lack of Understanding of Project Success Factors

A set of project success factors is described above. Failure by project management to understand and incorporate success factors for IT projects results in a poorly-managed project and an inability to achieve project goals within the time and budget allocated.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The project management structure defined for this project includes a project manager for the system integrator who is highly experienced with large scale enterprise-level projects and who will incorporate critical success factors into the project's plan and operations. In addition, the Project Management Office will provide best practices to the project team and provide coaching and training on the use of these practices.

e. Lack of Understanding of the Impact of Change

Change management is the process of aligning an organization's people and culture with the system, business, and organizational changes. Change management necessitates identifying areas of the organization that will be affected by the program and specifically addressing the process transition for those areas. Effective change management is critical to the success of the implementation of an EAS HRMS.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The feasibility study presents a comprehensive change management program.

The goals of change management are to build understanding of and commitment to change, align key organizational elements to support the change, and enable continuous performance improvement to sustain the changes. A review with the agency stakeholders should be conducted to assess their capacity for and receptivity to implementing significant business process changes that will be essential to the success of implementing a new system. Project goals and objectives should be clarified and a plan to address those business areas of the organizations that will need the most attention to ensure a successful transition.

f. Unrealistic Expectations

Project stakeholders may expect results from this project which are unrealistic, or which are to be delivered as part of a later phase. Examples include:

- Agency managers may expect users to be proficient with the new system as soon as training has been completed, rather than understanding that there may be a temporary decrease in productivity while users adjust to the many new features and functions in the system.
- Agencies may expect features and functions planned for phases 2 or 3 to be implemented during phase 1 of the project.
- Agency plans may have underestimated the impact of the process and organizational changes associated with the new system.

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

The change management approach and implementation plan included in this feasibility study involves careful and regular communications to project stakeholders concerning the expected results of the project for each phase and each major functional component.

g. Fear and Opposition

When faced with significant process, organizational, and job duty changes, such as those which will be associated with this project, it is normal for staff to resist the changes in various ways. If this resistance is not brought to the surface, and effectively addressed, it can result in staff refusing to accept the change—in this case, the new system. If this occurred, even the best system implementation,

from a technical standpoint, would be labeled a failure by the rank and file staff required to use it.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The Change Management Program and implementation plan included in this feasibility study includes strategies for identifying and addressing areas of resistance to change on the part of system users. This starts with the commitment of the Governor, Executive Sponsor, and Policy Committee and Operational Committee working through the issues necessary for the project's success. One of these strategies is a significant commitment on the part of State staff to design and configure the appropriate processes and rules for the new package system. This group will also participate in training and testing activities. In addition to building ownership in the design of the system, this will build a network of skilled users among the agencies.

h. Lack of Successful Experience in All Aspects of EAS HRMS Implementation

If the project team lacks successful experience with EAS HRMS implementation, including all of the key modules and functions required for this project—payroll, personnel, leave functions, change management, and the technologies involved—there is a significant risk of project failure. This experience is required in order to assure that project management and team members will anticipate and avoid technical and organizational problems, will develop and follow a realistic project plan and schedule, and will adopt the appropriate technical and organizational strategies for the project.

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

The project management structure includes a private firm with extensive experience implementing EAS HRMS packages serving as system integrator. This firm should have specific experience with the package and technologies proposed, in a public sector environment, implementing EAS HRMS systems. The system integrator will provide project management and system implementation standards and best practices, based on broad experience implementing package systems in similar environments.

i. Large Scope

Implementing a EAS HRMS statewide brings with it a very significant functional and organizational scope. If not effectively structured and managed, this scope could easily become too large to accomplish within the limited budget and time allocated. There is also a significant risk of cost overruns as a result of unmanaged scope.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The scope of the project has been divided into three phases to make it more manageable. Further, a system integrator will be engaged, under a fixed-price, deliverable-based contract, to manage system implementation, including system design and configuration and business process changes. By sharing the risk in this way, and placing the project within a solid project governance structure (as described above), the risk of unwieldy and unmanaged scope will be significantly reduced.

The scope of changes to business processes will be carefully defined during the design phase of the project. A detailed description of functionality will be communicated to the stakeholders to avoid any misunderstanding of the project scope. The project plan will include a decision structure for any changes to the scope, including the estimated time, effort, resource, and cost implications of the change.

To address the risk of scope changes due to rule changes during the project, it is strongly recommended that *the scope of changes to the State's personnel system be determined by July of 2003*—a year earlier than when final rules are currently scheduled to be approved. At this time, key business rule and process changes should also be determined. The system integrator and the DOP staff will work in concert to control scope and schedule deadlines in order to implement this critical mission system on time for the continuous production of accurate and timely payroll checks.

j. No Allowance for Unexpected Events

It is in the nature of projects—especially IT projects—that unexpected events occur which affect the project's scope, objectives, and resources available. Schedule and budget contingency are necessary to give the State the ability to respond to their unexpected effects. Since requirements for CSR/CB within the State may change, and require more detailed definition, there is a risk of changes to scope and required resources. Without allowing for these changes, there would likely be insufficient dollars and time to complete the project.

Risk Level: High

Severity Level: High

Risk Management Strategy:

The budget for this project includes a 20% contingency, and the project schedule provides for supporting the CSR/CB requirements for 2003-05 six months prior to that required by legislation.

k. Lack of Adequate Funding and Project Continuity

Frequently significant IT projects are not adequately funded. This leads to inability to deliver needed functionality, stopping the project mid-course until adequate funding can be approved, and additional cost and risk associated with stopping and restarting the project. It is critical that a project of this size and complexity be adequately funded.

Risk Level: High

Severity Level: High

Risk Management Strategy:

This project should be funded at the levels indicated in the costing sections of this report.

l. Use of Unproven Software

Software which does not have a proven track record within similar organizations typically requires users to “work through” technical and design problems which were not discovered by the system developers. This can result in significant loss of productivity, data problems, lack of system availability, and local technical staff time to install and test frequent system “patches.”

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

It is recommend that the State purchase a widely-used, Tier-One EAS HRMS package. Criteria for selecting this package should be a significant user base, a proven track record with similar public sector organizations, and the absence of significant design or technical problems which would impact the package’s reliability.

m. Extensive Modifications to Complex System

Were the State to extensively modify an EAS HRMS system, it would be severely limited with regard to future changes and upgrades to the system. In either case, system enhancements would require extensive testing to ensure they work correctly, which would reduce the risk of unanticipated problems and bugs.

Risk Level: Medium

Severity Level: High

Risk Management Strategy:

The State should purchase an EAS HRMS package which requires little or no modifications in order to meet its needs for CSR/CB. There should be a commitment by the State to implement the package with few, if any, modifications.

n. Undetected Risk Issues

The internal management and team members for an IT project must attend to the myriad day-to-day details of tasks, process changes, design specifications, and technical solutions. The project is also typically organized in teams, each team having a specific focus. This can make it difficult to detect inter-team or project-wide issues which create significant risk for the project. It also happens that these issues are often detected too late to minimize their impact on the project.

Risk Level: High

Severity Level: High

Risk Management Strategy:

An External Quality Assurance consultant should be provided for this project so that issues are detected as early as possible to reduce or eliminate their impact on project schedule and resources.

o. Only One Perspective of Project Solutions

Project management and team members are frequently too close to project details to consider the broadest range of solutions for issues of project schedule, scope, and resource management. This can lead to missed opportunities, wasted time and energy, and failure to apply the team's energy efficiently.

Risk Level: Medium

Severity Level: Medium

Risk Management Strategy:

The External Quality Assurance consultant recommended for this project will bring a broad perspective and significant experience addressing management, schedule, and resource issues for IT projects. This will add a needed external, third-party perspective to project issues, yielding a wider range of choices for management and better solutions for the project as a whole.

B. Project Oversight

The level of project oversight required by the ISB is determined by completing the ISB's Project Severity Level and Project Risk Level matrices, then comparing the results to the oversight standards established by the ISB.

The ISB has prescribed severity and risk level questions. The answers to these questions are used to establish the level and degree of oversight required on a particular IT project. Following are the analyses of severity and risk. Severity level gauges the proposed project's impact on citizens and state operations, its visibility, and the consequences of doing nothing. The risk level gauges the impact of the project on the organization, the level of effort needed to complete the project, the stability of the proposed technology, and agency preparedness.

In general, the highest level evaluation in a category determines the severity or risk level for that category. This means that a project or investment that meets one or more of the criteria within the high category for risk or severity results in a high rating for that category even though it may also meet several in the medium or low categories.

1. Project Severity Level

The Project Severity Level matrix is used to gauge the impact of the project in the following categories:

- Impact on clients
- Visibility
- Impact on State operations
- Failure or nil consequence

The matrix contains attributes for each category aligned with a severity rating of high, medium, and low. The appropriate attributes for the project were determined and indicated by a checkmark in the corresponding checkbox. When attribute determination was complete, the formula supplied with the matrix was employed to calculate the project's severity level. Exhibit XI-3 presents completed Project Severity Level matrix for the proposed solution.

Exhibit XI-3: Project Severity Level

Severity Level	Categories			
	Impact on Clients	Visibility	Impact on State Operations	Failure or Nil Consequence
High	<input type="checkbox"/> Direct contact with citizens, political subdivisions, and service providers – including benefits payments, and transactions.	<input checked="" type="checkbox"/> Highly visible to public, trading partners, political subdivisions and Legislature <input type="checkbox"/> Likely, subject to hearings <input checked="" type="checkbox"/> System processes sensitive/confidential data	<input checked="" type="checkbox"/> Statewide or multiple agency involvement/ impact <input type="checkbox"/> Initial mainframe or network acquisition.	<input checked="" type="checkbox"/> Inability to meet legislative mandate or agency mission. <input type="checkbox"/> Loss of significant federal funding.
Medium	<input checked="" type="checkbox"/> Indirect impacts on citizens through management systems that support decisions that are viewed as important by the public <input checked="" type="checkbox"/> Access by citizens for information and research purposes.	<input type="checkbox"/> Some visibility to the Legislature, trading partners, or citizens the system / program supports. <input checked="" type="checkbox"/> May be subject to hearings.	<input type="checkbox"/> Multiple divisions or programs within agency.	<input type="checkbox"/> Potential failure of aging systems.
Low	<input type="checkbox"/> Agency operations only	<input type="checkbox"/> Internal agency only. <input type="checkbox"/> Not likely to be subject to hearings.	<input type="checkbox"/> Single division <input type="checkbox"/> Improve or expand existing networks or mainframes with similar technology.	<input type="checkbox"/> Loss of opportunity for improved service delivery or efficiency. <input type="checkbox"/> Failure to resolve customer service complaints or requests.

Categories

High (1-4)

3 x 3 = 9

09 – 12 High

Medium (1-4)

1 x 2 = 2

05 – 08 Medium

Low (1-4)

0 x 1 = 0

00 – 04 Low

Total

11

The severity level for this project is **High**.

2. Project Risk Level

The Project Risk Level matrix is used to gauge the impact of the project in the following categories:

- Functional impact on business processes or rules
- Development effort and resources
- Technology
- Capability and Management

The matrix contains attributes for each category aligned with a risk rating of high, medium, and low. The appropriate attributes for the project were determined and indicated by a checkmark in the corresponding checkbox. When attribute determination was complete, the formula supplied with the matrix was employed to calculate the project's risk level. Exhibit XI-4 presents completed Project Risk Level matrix for the proposed solution.

Exhibit XI-4: Project Risk Level

Risk Level	Categories			
	Functional Impact on Business Processes or Rules	Development Effort and Resources	Technology	Capability and Management
High	<input checked="" type="checkbox"/> Significant change to business rules <input checked="" type="checkbox"/> High complexity business process <input checked="" type="checkbox"/> Major enhancements or replacement of a mission critical system <input checked="" type="checkbox"/> Multiple organizations involved <input checked="" type="checkbox"/> Requires new job training for work groups	<input checked="" type="checkbox"/> Over \$5 million <input checked="" type="checkbox"/> Development and implementation exceeds 24 months after feasibility study or project approval and release of funds <input type="checkbox"/> Requires a second decision package	<input type="checkbox"/> Emerging Technology <input type="checkbox"/> Unproven Technology <input checked="" type="checkbox"/> Two or more of the following are new for Agency Programming language Operating systems Data Base Products Support tool sets Data Communications <input type="checkbox"/> Requires PKI Certificate <input checked="" type="checkbox"/> Complex architecture – greater than 2 tier	<input type="checkbox"/> Minimal executive sponsorship or awareness, <input type="checkbox"/> Agency uses ad-hoc processes <input type="checkbox"/> Agency and/or vendor track record suggests inability to mitigate risk on project requiring a given level of development effort.

Categories				
Risk Level	Functional Impact on Business Processes or Rules	Development Effort and Resources	Technology	Capability and Management
Medium	<input type="checkbox"/> Moderate change to business rules <input type="checkbox"/> Medium complexity business process <input type="checkbox"/> Moderate change to mission critical system <input type="checkbox"/> Major enhancement to non-mission critical system. <input type="checkbox"/> Requires some new job training	<input type="checkbox"/> Under \$5 million but over agency delegated authority of \$1 million <input type="checkbox"/> 12 to 24 months for development and implementation after feasibility study or project approval and release of funds	<input type="checkbox"/> New in agency with 3rd party expertise and knowledge transfer. <input type="checkbox"/> One of technology listed above are new for agency development staff.	<input type="checkbox"/> Executive sponsor knowledgeable but not actively engaged <input checked="" type="checkbox"/> System integrator under contract with agency technical participation, <input type="checkbox"/> Agency and/or vendor record indicates good level of success but without the structure for repeatability.
Low	<input type="checkbox"/> Insignificant or no change to business rules <input type="checkbox"/> Low complexity business processes <input type="checkbox"/> Significantly simplifies and/or replaces manual activities <input type="checkbox"/> Some job training could be required.	<input type="checkbox"/> Within agency delegated authority of \$1 million <input type="checkbox"/> Under 12 months development and implementation after feasibility study or project approval and release of funds	<input type="checkbox"/> Standard, proven agency technology.	<input checked="" type="checkbox"/> Strong executive sponsorship <input type="checkbox"/> Agency and vendor have strong ability to mitigate risk on a development project <input type="checkbox"/> Project uses documented and repeatable processes for tracking status, problems, and change. <input type="checkbox"/> Developer is CMM Level 3 or above.

Categories

High (1-4)

3 x 3 = 9

09 – 12 High

Medium (1-4)

1 x 2 = 2

05 – 08 Medium

Low (1-4)

0 x 1 = 0

00 – 04 Low

Total

11

Risk level for this project is **High**.

3. Required Project Oversight

The level of oversight required for the proposed solution is determined by entering the results of the Project Severity Level and Project Risk Level calculations into the Project Oversight Level matrix provided by the ISB. Exhibit XI-5 identifies the level of oversight necessary for this project.

Exhibit XI-5: Project Oversight Level

	<input type="checkbox"/> Low Risk	<input type="checkbox"/> Medium Risk	<input checked="" type="checkbox"/> High Risk
<input checked="" type="checkbox"/> High Severity	<input type="checkbox"/> Level 2 Oversight	<input type="checkbox"/> Level 2 Oversight	<input checked="" type="checkbox"/> Level 3 Oversight
<input type="checkbox"/> Medium Severity	<input type="checkbox"/> Level 1 Oversight	<input type="checkbox"/> Level 2 Oversight	<input type="checkbox"/> Level 2 Oversight
<input type="checkbox"/> Low Severity	<input type="checkbox"/> Level 1 Oversight	<input type="checkbox"/> Level 1 Oversight	<input type="checkbox"/> Level 1 Oversight

This project will require **Level 3 Oversight**.

4. Level 3 Oversight

Level 3 Oversight requires certain actions, governance and oversight structures for implementation of the proposed solution. The requirements are described in Exhibit XI-6.

Exhibit XI-6: Level 3 Project Oversight Requirements

Category	Requirement
Approval Level	ISB
Investment Plan	Required
Quality Assurance	External required
In Portfolio	Required
Oversight	ISB
Project Reporting and Status	DIS MOSTD staff provides written reports to ISB. Agency sponsor and staff provide periodic status reports to ISB.
Key Meeting Participation by DIS MOSTD Staff	DIS MOSTD staff participates in steering committee and key project status meetings.

The project management and organization plan recommended to support the implementation of the proposed solution is in full compliance with Level 3 Oversight.